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SAN FRANCISCO PORT COMMISSION

Leslie Katz, President
Willie Adams, Vice President
Kimberly Brandon, Commissioner
Mel Murphy, Commissioner
Doreen Woo Ho, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax 415-274-0412

AGENDA TUESDAY, MAY 13, 2014 2:00 P.M. CLOSED SESSION 3:15 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR FERRY BUILDING, SAN FRANCISCO CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

1. CALL TO ORDER / ROLL CALL
2. APPROVAL OF MINUTES – April 22, 2014
3. PUBLIC COMMENT ON EXECUTIVE SESSION
4. EXECUTIVE SESSION

GOVERNMENT
DOCUMENTS DEPT

MAY - 9 2014

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A. Vote on whether to hold closed session.

- (1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING AND ANTICIPATED LITIGATION MATTERS (Discussion and Action Items):
 - a. Discuss anticipated litigation matter pursuant to California Government Code Section 54956.9(d)(2) and (d)(4) and San Francisco Administrative Code section 67.10(d)(2):

 X As Defendant

 X As Plaintiff

Discussion and approval of Yosemite Slough Superfund Site Mediation Agreement ("Mediation Agreement") between Port, as a potentially responsible party ("PRP") named by the U.S. Environmental Protection

Agency and therefore potentially liable under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA") for cleanup of contamination at Yosemite Slough ("Site"), and any number of other named PRPs for the Site that sign the Mediation Agreement that: (i) allows Port to participate in a non-binding mediation process with a third-party neutral mediator in an attempt to fairly and equitably allocate potential liabilities among other PRPs that agree to the Mediation Agreement (and to withdrawal from such participation upon notice); (ii) provides that, during the term of Port's participation in the Mediation Agreement, Port will not pursue any claims or causes of action relating to the matters the Mediation Agreement is designed to resolve against other signatories and will toll the statute of limitations on such claims by other signatories; and (iii) includes other terms as set forth in the Mediation Agreement on file with the Port Commission Secretary.

- b. Discuss existing litigation matter pursuant to California Government Code Section 54956.9(d)(2) and San Francisco Administrative Code Section 67.10(d)(2):

Claim of Vortex Marine Construction, Inc. ("Claimant"), San Francisco Administrative Claim No. 04-01348, filed December 19, 2013.

Discussion and approval of proposed settlement of Government Code Claim against the Port on the following terms: (i) Claimant's full release of claims arising from Port Contract No. 2727, Pier 43 Bay Trail Link Project, in exchange for payment by the Port to Claimant in the amount of \$1,414,514; (ii) Claimant's agreement to a voluntary "cooling period" during which Claimant will not bid as a prime contractor on Port projects for three years after Commission approval of the settlement; and (iii) Claimant's agreement to a voluntary "cooling period" during which Claimant will not bid as a subcontractor on Port projects for six months after Commission approval of the settlement. A copy of the proposed settlement agreement is on file with the Port Commission Secretary.

5. RECONVENE IN OPEN SESSION

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.
- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during Public Comment Period. A member of the public has up to three minutes to make pertinent public comments. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406. No Commission action can be taken on any matter raised during the public comment period for items not listed on the agenda other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

9. EXECUTIVE

- A. Executive Director's Report
 - Introduction of new Chief Harbor Engineer, Eunejune Kim
 - Hi Dive Restaurant Ten Year Anniversary – May 1, 2014
 - Slanted Door – Named the Nation's Outstanding Restaurant by the James Beard Foundation
 - Coqueta – Finalist for Best New Restaurant by the James Beard Foundation
 - Port Revenue Bonds, Series 2014, Credit Rating & Sale Update
 - Report on Southern Waterfront Advisory Committee's review of Recology Lease Option
 - 9TH Annual Uncorked Wine Festival – May 17 at 1 p.m. at Ghirardelli Square
 - The Lost Boat Ceremony – May 26, 2014 at 10 a.m. at Pier 45
 - In Memoriam - John Legnitto, Vice President & Group Manager, Recology
- B. Commissioners' Report

10. CONSENT

- A. Request approval of a resolution urging the Board of Supervisors to amend the San Francisco Public Works Code to authorize the Port to impose penalties to enforce the Port's Construction Site Stormwater Runoff Control Program (Port

- B. Request approval of a Memorandum of Understanding between the Port of San Francisco and the San Francisco Board of Appeals to facilitate the transfer of permit appeal-related duties for Port Entertainment Permits from the Port Commission to the Board of Appeals. (Resolution No. 14-27)
- C. Request authorization to execute an amendment to the Construction Manager/General Contractor contract with Turner Construction Company ("Turner") to increase the total authorized contract amount from \$100,107,601 to an amount not to exceed \$101,250,601 to fund additional construction scope for the Pier 27 James R. Herman Cruise Terminal and Northeast Wharf Plaza Project ("Project"), and to extend the term expiration date from December 31, 2014 to April 30, 2015. (Resolution No. 14-28)

Request authorization to execute an amendment to the Architectural and Engineering contract with the joint venture of Kaplan, McLaughlin, Diaz Architects and Pfau Long Architecture in association with Bermello Ajamil and Partners ("Design Team") to increase the total authorized contract amount from \$11,491,708 to an amount not-to-exceed \$11,741,708, for additional construction administration services for the Project, and to extend the term expiration date from December 31, 2014 to April 30, 2015. (Resolution No. 14-29)

Request authorization to execute an amendment to the Memorandum of Understanding (MOU) between the Port and the San Francisco Department of Public Works ("DPW") to provide additional Project Management services and to extend the term expiration date from December 31, 2014 to April 30, 2015. (Resolution No. 14-30)

11. MARITIME

- A. Request approval of Second Amendment to Lease No. L-14282 with the San Francisco Bar Pilots Benevolent and Protective Association for space located at Pier 9 located on The Embarcadero at the foot of Vallejo Street to reduce the size of the Premises, change the security deposit instrument type, specify future rent adjustments and to make other changes. (Resolution No. 14-31)
- B. Informational presentation on the Cruise Terminal Management Agreement with Pacific Cruise Ship Terminals, LLC and Passenger Fee Increase for the James R. Herman Cruise Terminal at Pier 27, Pier 35 and Piers 30-32 at the Embarcadero and Lombard, Bay and Bryant Streets, respectively.

12. PLANNING AND DEVELOPMENT

- A. Request approval of the Second Amendment to Exclusive Negotiation Agreement with Orton Development, Inc., a California corporation, to extend the term of the ENA until December 31, 2014, in connection with the rehabilitation

and redevelopment of the six 20th Street Historic Buildings (located on or near 20th and Illinois Streets at Pier 70). (Resolution No. 14-32)

Request Adoption of California Environmental Quality Act Findings and a Mitigation Monitoring and Reporting Program and Approval of the: (1) Lease Disposition and Development Agreement; and (2) Lease No. L-15814 for a term of 66 years, both with Orton Development, Inc. or its affiliate, Historic Pier 70, LLC, a California limited liability company; and (3) Schematic Drawings, all in connection with the lease, rehabilitation and redevelopment of the six 20th Street Historic Buildings (located on or near 20th and Illinois Streets at Pier 70). (This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code.) (Resolution No. 14-33)

- B. Request approval of a Special Event in excess of 90-days at Port property at Seawall Lot 337 pursuant to Lease No. L-14980 between Port and China Basin Ballpark Company, LLC (Resolution No. 14-34); and Request approval of Revocable License No. 15810 for Port property at Terry A. Francois Blvd. between the Port and China Basin Ballpark Company, LLC to be used as a parklet for public benefit. (Resolution No. 14-35), both activities to be coterminous with Lease No. L-14980. (This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code.)

13. REAL ESTATE

- A. Request approval of Memorandum of Understanding (MOU) M-15747 between the Port of San Francisco and the San Francisco Municipal Transportation Agency (SFMTA) for use of a portion of Seawall Lot 354 (also known as 1399 Marin Street) for general office, general warehouse, storage, related parking of SFMTA staff vehicles, maintenance and repair of SFMTA buses including fueling and washing of same, and for incidental directly related uses and for no other purpose for a term of seven years and a waiver of the security deposit. (Resolution No. 14-36)

14. NEW BUSINESS

15. ADJOURNMENT

Adjourn the meeting in memory of John Legnitto, Vice President and Group Manager, San Francisco Region, Recology

COMMUNICATIONS TO PORT COMMISSION
From April 18 to May 8, 2014

- From Toby Levine and Corinne Woods, Co Chairs of the Central Waterfront Advisory Group, in support of Orton Development's Lease and Rehabilitation Plan at Pier 70
- From Mike Buhler, San Francisco Heritage, regarding Pier 70 Historic Buildings

**FORWARD CALENDAR
(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)**

MAY 27, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation on the Five-Year Review of the Waterfront Land Use Plan
2	Portwide	Informational	Presentation regarding the Fiscal Year 2014-15 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates
3	Drydock	Informational	Presentation on selection of scope of work for scrapping of drydock #1 currently moored at Pier 50 and seeking permission to waive competitive bidding
4	Pier 27	Action	Approval of the Cruise Terminal Management Agreement with Pacific Cruise Ship Terminals, LLC and Passenger Fee Increase for the James R. Herman Cruise Terminal at Pier 27, Pier 35 and Piers 30-32 at the Embarcadero and Lombard, Bay and Bryant Streets, respectively
5	Pier 27	Action	Resolution authorizing acceptance of an art gift referred to as the James R. Herman tribute to be installed at the James R. Herman Cruise Terminal at Pier 27, and authorizing the Executive Director to enter into an agreement regarding the terms of operation and maintenance for the tribute

JUNE 10, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation on Current Operations and Expansion Potential of Water Taxi Service Along the San Francisco Waterfront
2	Portwide	Informational	Presentation on Finger Pier Exiting Code Analysis/Model Guidelines
3	Portwide	Action	Approval of the Fiscal Year 2014-15 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates
4	Pier 35	Action	Authorization to award Construction Contract 2765, Pier 35 Building and Roof Project
5	Portwide	Action	Approval to issue a Request for Proposals (RFP) for Architectural/Engineering Services Contract for the Completion of an Assessment of the Port's Seawall

6	Portwide	Action	Approval to issue a Request for Proposals (RFP) for a contract for Youth Employment Services
7		Action	Authorization to grant a rent waiver for a public art installation at the Pier 14 Plaza, consistent with the past public art installations at the Pier 14 Plaza
8	Cesar Chavez St., Islais St. & Pier 90	Action	Authorization to award Construction Contract No. 2758, Bayview Gateway & Tulare Park Projects

JULY 8, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 80	Informational	Presentation on Cargo marketing Plan for Pier 80 in conjunction with Metro Ports and the International Longshore and Warehouse Union
2	Embarcadero	Informational	Presentation by the San Francisco Municipal Transportation Agency regarding the Embarcadero Enhancement Planning Project
3	Piers 30-32	Informational	Presentation on costs to maintain Piers 30-32
4	Portwide	Informational	Presentation on Phase 2 of the Waterfront Transportation Assessment by the San Francisco Municipal Transportation Agency in partnership with the San Francisco County Transportation Authority
5	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Substructure Repairs
6	Portwide	Action	Authorization to advertise for competitive bids for Construction Contract No. 2769, Port Security Fences Project, Phase 4
7	Pier 31	Action	Authorization to advertise for competitive bids for Construction Contract No. 2762, Pier 31 Building and Roof Repairs
8	Portwide	Action	Approval to Award an As-Needed Contract for Hazardous Waste Transportation and Disposal Services

AUGUST 12, 2014

	FACILITY/POLICY	ITEM	TITLE
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SEPTEMBER 9, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Substructure Repairs

SEPTEMBER 23, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 31	Action	Authorization to award Construction Contract No. 2762, Pier 31 Building and Roof Repairs

DATE TO BE DETERMINED

	FACILITY/POLICY	ITEM	TITLE
1	South Beach	Action	Port Commission's consideration of agreements between the Port Commission and the Successor Agency to mutually terminate 13 ground leases in the South Beach project area and set business terms for the transfer of the South Beach Harbor Program
2	Pier 70	Action	Authorization to advertise for competitive bids for Construction, Crane Cove Park Project Phase 1
3	Pier 94 and 96	Action	Authorization to advertise for competitive bids for Construction, Pier 94-96 Storm Drain and Outfall repairs
4	Loading Dock near Tulare Street	Action	Authorization to advertise for competitive bids for Construction, Copra Crane Refurbishment
5	Daggett Street	Action	Approval of Memorandum of Understanding between the Port and the City's Real Estate Department authorizing the jurisdictional transfer of the Daggett Street Right-of-Way from the Port to the City for a transfer fee of \$1.6 Million
6	3rd Street & Cargo Way Triangle and Cargo Way	Action	Authorization to advertise for competitive bids for Construction, Quint Street Lead Improvement Project

MAY/JUNE/JULY 2014
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
May 27	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
June 10	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
July 8	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or mark.paez@sfport.com

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david.beaupre@sfport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfport.com

ACCESSIBLE MEETING INFORMATION POLICY

FERRY BUILDING:

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sott@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

NOTICES

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

CEQA Appeal Rights under Chapter 31 of the San Francisco Administrative Code:

If the Commission approves an action identified by an exemption or negative declaration as the Approval Action (as defined in S.F. Administrative Code Chapter 31, as amended, Board of Supervisors Ordinance Number 161-13), then the CEQA decision prepared in support of that Approval Action is thereafter subject to appeal within the time frame specified in S.F. Administrative Code Section 31.16. Typically, an appeal must be filed within 30 calendar days of the Approval Action. For information on filing an appeal under Chapter 31, contact the Clerk of the Board of Supervisors at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, or call (415) 554-5184. If the Department's Environmental Review Officer has deemed a project to be exempt from further environmental review, an exemption determination has been prepared and can be obtained on-line at <http://sf-planning.org/index.aspx?page=3447> . Under CEQA, in a later court challenge, a litigant may be limited to raising only those issues previously raised at a hearing on the project or in written correspondence delivered to the Board of Supervisors, Planning Commission, Planning Department or other City board, commission or department at, or prior to, such hearing, or as part of the appeal hearing process on the CEQA decision.



MEMORANDUM

May 9, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Request Port Commission Approval of a Resolution urging the Board of Supervisors to amend the San Francisco Public Works Code to authorize the Port to impose penalties to enforce the Port's Construction Site Runoff Control Program (Port Building Code Section 106A.3.2.5)

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

EXECUTIVE SUMMARY

The Port is responsible for a stormwater conveyance system which is separate from the City's sewer system. Rather than flowing to a wastewater treatment plant, this stormwater is discharged directly to the San Francisco Bay. To protect water quality, the Port's stormwater conveyance system is permitted by the State of California's Municipal Separate Storm Sewer Systems Permit (MS4 Permit). This MS4 Permit requires the Port to manage the quality of stormwater runoff at its properties including construction sites. Currently, the Port lacks the ability to enforce stormwater protection measures at construction sites through the imposition of fines. Port staff recommends that the Port Commission request the Board of Supervisors to amend the City's Public Works Code to grant these enforcement powers to the Port.

BACKGROUND

Construction sites can be significant sources of stormwater pollution. Harmful materials from construction sites such as concrete, sediment, debris, and other pollutants can wash into sewer systems and storm drains. These pollutants can reach the Bay triggering serious water quality concerns.

THIS PRINT COVERS CALENDAR ITEM NO. 10A

The federal government has delegated to the State of California the authority to implement the Clean Water Act. Under this authority, the State has issued an MS4 Permit to the Port. This MS4 Permit was revised and re-issued by the State in 2013. The new permit requires the Port to adopt and administer a Construction Site Runoff Control Program that protects water quality by controlling discharges from construction sites into sewer systems and preventing erosion and sedimentation due to construction activities. The MS4 Permit also requires that the Port have legal authority to levy citations with monetary fines against parties who fail to comply with program requirements.

The Port's Construction Site Runoff Control Program is codified for the first time in Port Building Code Section 106A.3.2.5 (adopted by the Port Commission on December 12, 2013 by Resolution No. 13-50). Among other things, Port Building Code Section 106A.3.2.5 requires persons conducting construction activities on lands within Port Commission jurisdiction to comply with the requirements articulated in the City's Construction Site Runoff Ordinance 260-13 (Ordinance) newly enacted by the Board of Supervisors in November, 2013. The Ordinance includes obtaining a Construction Site Runoff Control Permit prior to the commencement of land-disturbing activities. However, absent Board of Supervisors' action, the Port does not have independent authority to impose monetary penalties to enforce these provisions.

Existing City Law

The San Francisco Public Utilities Commission (SFPUC) has a separate MS4 Permit that governs non-Port municipal separate storm sewer systems. On November 5, 2013, the Board of Supervisors enacted Ordinance 260-13 amending Article 4.2 of the Public Works Code to authorize and codify the SFPUC's construction site runoff control program. The Ordinance also authorizes enforcement of violations of the Ordinance and permits issued under the Ordinance, including the imposition of monetary penalties by the SFPUC General Manager.

Proposed Amendments to Existing City Law

The proposed ordinance, attached as Exhibit A, would amend Article 4.2 of the Public Works Code to authorize the Port's Executive Director to utilize the same enforcement mechanisms as the SFPUC General Manager with respect to construction site runoff control requirements on lands within Port jurisdiction and provide for the imposition of monetary penalties for which the Port does not have independent authority. Port staff has coordinated with SFPUC staff to amend the Ordinance and to establish uniform practices related to stormwater enforcement.

RECOMMENDATION

In order to comply with the requirements of its MS4 Permit, staff recommends that the Port Commission approve a resolution urging the Board of Supervisors to amend the San Francisco Public Works Code to authorize the Port to impose penalties for failure to comply with the requirements of the Port's Construction Site Runoff Control Program and direct the Executive Director to pursue such legislation with the Board of Supervisors.

Prepared by: Shannon Alford, Regulatory Specialist
and
Richard Berman, Utility Specialist

For: Susan Reynolds
Deputy Director for Real Estate

Exhibit A: Proposed Ordinance

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-26

- WHEREAS, construction site runoff can be a significant contributor to flooding, infrastructure damage, and pollution to the San Francisco Bay; and
- WHEREAS, the Federal Clean Water Act and Municipal Separate Storm Sewer Systems Permit (MS4 Permit) issued by the State of California to the Port requires the Port to adopt and administer a Construction Site Runoff Control Program that protects water quality by controlling the discharge of sediment and other pollutants from construction sites into sewer systems and includes monetary penalties as an enforcement mechanism; and
- WHEREAS, the Port has adopted a Construction Site Runoff Control Program which is codified in the Port's Building Code Section 106A.3.2.5; and
- WHEREAS, Board of Supervisor's authorization is required for the Port to impose monetary penalties; and
- WHEREAS, Article 4.2 of the Public Works Code authorizes the General Manager of the San Francisco Public Utilities Commission (SFPUC) to impose monetary penalties for the SFPUC's construction site runoff control program which is similar to the Port's; and
- WHEREAS, Port staff has prepared a proposed ordinance that would amend Article 4.2 of the Public Works Code to similarly authorize the Port's Executive Director to impose monetary penalties for violations of the Port's Construction Site Runoff Control Program (the "Proposed Ordinance"); now, therefore be it
- RESOLVED, that the Port Commission authorizes and directs the Port's Executive Director to submit the Proposed Ordinance to the San Francisco Board of Supervisors for consideration and adoption and urges the Board of Supervisors to adopt the Proposed Ordinance.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of May 13, 2014.

Secretary

EXHIBIT A

[Public Works Code - Port - Construction Site Runoff - Enforcement]

Ordinance amending Section 146.10 of the Public Works Code authorizing the Port Executive Director to impose penalties for failure to comply with requirements relating to construction site runoff on property within Port Commission jurisdiction.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in single-underline italics Times New Roman font.
Deletions to Codes are in ~~strikethrough italics Times New Roman font~~.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~strikethrough Arial font~~.
Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. Article 4.2 of the Public Works Code is hereby amended by amending Section 146.10 to read as follows:

SEC. 146.10. ENFORCEMENT.

Persons violating any provision of the Construction Site Runoff Control Permit or Sections 146 – 146.11 of this Article or applicable laws or regulations are subject to enforcement by the General Manager pursuant to Section 132 of Article 4.1 of this Code. Persons violating Sections 146 – 146.11 of Article 4.2 or applicable laws or regulations are subject to penalties and abatement in accordance with Sections 133 and 134 of Article 4.1 of this Code, and any other remedies allowed by law. For construction projects in areas of the City under the jurisdiction of the Port Commission, the Port's Executive Director or his or her designee shall have enforcement authority identical to the enforcement authority referenced in the two preceding sentences.

1 Section 2. Effective Date. This ordinance shall become effective 30 days after
2 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
3 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
4 of Supervisors overrides the Mayor's veto of the ordinance.

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6 APPROVED AS TO FORM:
7 DENNIS J. HERRERA, City Attorney

8 By: _____
9 RONA H. SANDLER
10 Deputy City Attorney
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MEMORANDUM

May 9, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer
Executive Director *M Moyer*

SUBJECT: Request approval of a Memorandum of Understanding between the Port of San Francisco and the San Francisco Board of Appeals to facilitate the transfer of permit appeal-related duties for Port Entertainment Permits from the Port Commission to the Board of Appeals

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution

Introduction

San Francisco Charter Section B3.581 empowers the Port to use, conduct, operate, maintain, manage, regulate and control property within the jurisdiction of the Port located in the City and County of San Francisco.

The San Francisco Board of Appeals ("Board") is authorized by Charter Section 4.106(b) to "hear and determine appeals with respect to any person who has been denied a permit or license, or whose permit or license has been suspended, revoked or withdrawn, or who believes that his or her interest or the public interest will be adversely affected by the grant, denial, suspension or revocation of a license or permit, except for a permit or license under the jurisdiction of the Recreation and Park Commission or Department, or the Port Commission, or a building or demolition permit for a project that has received a permit or license pursuant to a conditional use authorization."

This Print Covers Calendar Item No. 10B

Background

In November of 2002, San Francisco voters approved an amendment to the City Charter creating the Entertainment Commission. The San Francisco Board of Supervisors adopted amendments to San Francisco Administrative Code ("Administrative Code") Chapter 90 providing the Entertainment Commission with the authority to assume all responsibilities from the Police Department for the issuance and administration of entertainment related permits. In July 2003, the Entertainment Commission assumed responsibility for the issuance and administration of entertainment related permits.

Section 90.4(k) of the Administrative Code authorizes the Entertainment Commission to assume the powers of the Port Commission, upon the Port Commission's request, with respect to issuance and administration of entertainment related permits on Port property ("Port Entertainment Permits"). The Port delegated this authority to the Entertainment Commission most recently pursuant to MOU No. M-14146 executed on April 18, 2013.

Proposed Port - Board of Appeals MOU

Currently, an appeal of the grant, suspension, revocation, amendment, withdrawal or denial of Port Entertainment Permits must be made to the Port.

The proposed MOU provides for the Port's delegation to the Board of Appeals of the authority to accept, process and decide appeals of Port Entertainment Permits in conformance with the requirements of Charter Section 4.106, the applicable provisions of Article 1 of the San Francisco Business and Tax Regulations Code and the Rules of the Board of Appeals. Specifically as to Section 8 of Article 1, the Board of Appeals shall apply its rules to Port Entertainment Permits in the same manner as they apply them to other permits issued by the Entertainment Commission. The MOU also establishes a right for Port staff to participate in the appeal process by assisting the Entertainment Commission with preparing and providing a response to appeals filed with the Board of Appeals, including attending and participating at Board of Appeals hearings when necessary.

Once the Port assigns its responsibilities to the Board of Appeals under the MOU, Port recommendations are advisory only. Decisions regarding issuance, denial, amendment, transfer, suspension or revocation of Port Entertainment Permits will be left to the Board of Appeals.

To cover the costs incurred by the Board in reviewing appeals of Port Entertainment Permits, the application and renewal fees for Port Entertainment Permits will include the surcharge applicable to permits issued by the Entertainment Commission pursuant to Administrative Code Sections 10.G.1.(d) and (f), as such sections are amended from time to time. The Port will cause the Entertainment Commission to transfer surcharges to the Board. The Port shall have no payment obligation to the Board under the MOU.

Other major provisions of the proposed MOU provide for a month to month term and an option for either party to terminate the MOU for any reason upon thirty (30) days' written notice.

Recommendation

Approval of Memoranda of Understanding with other City departments requires Port Commission action. Port staff recommends approval of the proposed Memorandum of Understanding between the Port and the San Francisco Board of Appeals to facilitate the transfer of permit appeal-related duties for Pert Entertainment Permits from the Port Commission to the Board of Appeals.

Prepared by: Amy Quesada
Port Commission Secretary

For: Monique Moyer
Executive Director

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-27

- WHEREAS,** Section B3.581 of the Charter of the City and County of San Francisco empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and
- WHEREAS,** The San Francisco Board of Appeals ("Board") is authorized by Charter Section 4.106(b) to "hear and determine appeals with respect to any person who has been denied a permit or license, or whose permit or license has been suspended, revoked or withdrawn, or who believes that his or her interest or the public interest will be adversely affected by the grant, denial, suspension or revocation of a license or permit, except for a permit or license under the jurisdiction of the Recreation and Park Commission or Department, or the Port Commission, or a building or demolition permit for a project that has received a permit or license pursuant to a conditional use authorization"; and
- WHEREAS,** Section 90.4(k) of the Administrative Code authorizes the Entertainment Commission to assume the powers of the Port Commission, upon the Port Commission's request, with respect to issuance and administration of entertainment related permits on Port property ("Port Entertainment Permits"), and the Port delegated this authority to the Entertainment Commission most recently pursuant to MOU No. M-14146 executed on April 18, 2013; and
- WHEREAS,** The Port wishes to execute a Memorandum of Understanding with the San Francisco Board of Appeals in order to facilitate the transfer of permit appeal-related duties for Port Entertainment Permits from the Port Commission to the Board; now, therefore, be it
- RESOLVED,** The Port Commission gives its express approval for the Board to exercise the powers and perform the duties set forth in Charter Section 4.106 and Article 1 of the San Francisco Business and Tax Regulation Code as to appeals of Port Entertainment Permits; and, be it further

RESOLVED, That the San Francisco Port Commission authorizes the Executive Director, or her designee, to enter into a Memorandum of Understanding by and between the Port of San Francisco and the San Francisco Board of Appeals to facilitate the transfer of permit appeal-related duties for Port Entertainment Permits from the Port Commission to the Board, substantially in the form on file with the Port Commission Secretary for this item, subject to changes the Executive Director may approve in consultation with the Executive Director of the Board of Appeals.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of May 13, 2014.

Secretary



MEMORANDUM

May 9, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: (1) Request authorization to execute an amendment to the Construction Manager/General Contractor contract with Turner Construction Company ("Turner") to increase the total authorized contract amount from \$100,107,601 to an amount not to exceed \$101,250,601 to fund additional construction scope for the Pier 27 James R. Herman Cruise Terminal and Northeast Wharf Plaza Project ("Project"), and to extend the term expiration date from December 31, 2014 to April 30, 2015.

(2) Request authorization to execute an amendment to the Architectural and Engineering contract with the joint venture of Kaplan, McLaughlin, Diaz Architects and Pfau Long Architecture in association with Bermello Ajamil and Partners ("Design Team") to increase the total authorized contract amount from \$11,491,708 to an amount not-to-exceed \$11,741,708, for additional construction administration services for the Project, and to extend the term expiration date from December 31, 2014 to April 30, 2015.

(3) Request authorization to execute an amendment to the Memorandum of Understanding (MOU) between the Port and the San Francisco Department of Public Works ("DPW") to provide additional Project Management services and to extend the term expiration date from December 31, 2014 to April 30, 2015.

DIRECTOR'S RECOMMENDATION: Adopt Attached Resolutions

THIS PRINT COVERS CALENDAR ITEM NO. 10C

EXECUTIVE SUMMARY

The Pier 27 James R. Herman Cruise Terminal and Northeast Wharf Plaza Project ("Project") will create a new cruise terminal at Pier 27 and a two and one-half acre open space plaza. This addendum to the Project is to accomplish additional construction scope including a Facility Operations Building, underdeck repairs, and Pier 29 lighting, fencing and paving. Port staff seeks the following Port Commission actions:

(1) Authorize the Executive Director to execute an amendment to the Construction Manager / General Contractor contract with Turner to increase the total authorized contract amount by \$1,143,000, from \$100,107,601 to \$101,250,601, to fund additional construction scope of the Project, and to extend the term to April 30, 2015.

(2) Authorize the Executive Director to execute an amendment to the Architectural and Engineering contract with the Design Team to increase the total authorized contract amount by \$250,000, from \$11,491,708 to \$11,741,708, for additional construction administration services, and to extend the term from December 31, 2014 to April 30, 2015. Funding for this contract increase is available in the DPW portion of the project budget.

(3) Authorize the Executive Director to execute an amendment to the Memorandum of Understanding (MOU) between the Port and DPW to extend the term to April 30, 2015.

These changes will enable Port staff to complete additional project scope that was identified as Phase 3 work, but was not previously included in the budget due to resource constraints. However, due to project savings and the ability to reallocate the \$2 million Project Contingency funds, Port staff now seeks authorization to address additional needs identified for the Project.

BACKGROUND

In 2011, the Port entered into the Construction Manager / General Contractor Contract ("CM/GC Contract") with Turner for construction of the new James R. Herman Cruise Terminal ("Cruise Terminal") and the Northeast Wharf Plaza at Pier 27 (the "Project"). In 2012 the Port modified the CM/GC Contract to include various amenities to house the America's Cup Village for the 2013 Louis Vuitton Challenger Series, Red Bull Youth Racing Event and 34th America's Cup ("AC34") Final Match. A number of AC34-related public improvements and mitigation measures at Piers 30-32, Pier ½, Pier 19, and Pier 29 were also added to Turner's scope of work. Turner has completed these AC34 projects and Phase 1 of the Cruise Terminal project, and started Phase 2 construction on November 1, 2013. Phase 2 is scheduled to be substantially complete July 31, 2014.

The current Phase 2 scope consists of finishing the remaining portions of the Cruise Terminal building including the U.S. Customs and Border Protection facilities. In addition, the Phase 2 construction scope includes build out of the Northeast Wharf Plaza and North Point, the ground transportation area, apron and substructure repairs, and the installation of maritime equipment such as the mobile gangway system, fenders

and bollards. Additionally, the project scope accommodates an upgrade to the shore power equipment to accommodate the size and design of cruise ships that are currently under construction. Due to the availability of additional funds, Port staff proposes to proceed with additional work previously identified as Phase 3.

PROPOSED PROJECT SCOPE, BUDGET AND CONTRACT AMENDMENTS

The current Project budget is \$115.3 million, including a \$2.0 million Project Contingency Fund that the Port Commission approved in September 2013. The \$2.0 million Project Contingency Fund was requested by Port staff in the event that the Project faced risk factors such as unforeseen factors resulting in increased cost of the gangway, shore power system, and the overall bidding environment for Phase 2 goods and services resulting from a robust local construction climate. Additionally, Project staff was concerned that the Port would not fully utilize federal security grant funds within the established funding period, which would require the Port to utilize alternative funding sources for security expenses.

Now that Phase 2 subcontracts have been awarded, Project staff estimates construction cost savings of approximately \$2.3 million. Additionally, the risk factors that justified a \$2.0 million project contingency have not developed, and the Port has an improved projection for use of federal grant funding. As a result, Port staff is proposing additional project scope to utilize a total of \$4.3 million projected savings that are detailed in *Table 1*, below.

Table 1: Projected Cruise Terminal Project Balance

<u>Use of Funds</u>	<u>Commission Budget</u>	<u>Projected Spending</u>	<u>Projected Savings</u>
Turner, Construction/Contingency	\$ 91,496,970	\$ 89,145,080	\$ (2,351,890)
KMD/DPW, Soft Costs	21,258,137	21,258,137	-
Port, Furniture	532,000	532,000	-
Port, Project Contingency	2,044,574	-	(2,044,574)
<u>Total Uses</u>	<u>\$ 115,331,681</u>	<u>\$ 110,935,217</u>	<u>\$ (4,396,464)</u>

Project Scope & Budget Proposal

Earlier budget requests deferred certain work items in order to work within limited funding resources. Now that funding within the existing project budget has been freed up, Port staff recommends addressing previously Phase 3 needs including: (1) the addition of a facilities operations building; (2) underdeck repairs at Pier 27; and (3) requirements at Pier 29 related to lighting, fencing and paving.

The facility operations building will be a stand-alone single story 3700 square foot structure with siding that matches the main terminal building. The building will house battery chargers and forklift storage, baggage screening machines, tools and parts storage, and a security office. This will improve the efficiency of the terminal operation and increase safety by moving these functions from Pier 29 to a location adjacent to the Pier 27 terminal building. The underdeck repairs at Pier 27 include repairs to girders, piles and the underside of the deck slab. These could be deferred up to five years, however they may be efficiently undertaken as part of the Project with the specialized subcontractors already mobilized. Improvements at Pier 29 are required as part of the San Francisco Bay Conservation and Development Commission ("BCDC") permit for the Project.

Additionally, staff recommends maintaining enough construction contingency to address the overall increase in scope in the Turner CM/GC Contract and maintaining the \$0.9 million balance in the budget for procurement of furniture, fixtures and other finishing details that will prepare the Cruise Terminal for its grand opening. As summarized in Table 2, these adjustments would utilize \$4.3 million of project savings.

Table 2: Previously deferred and additional scope to be added to the Project

<u>Use of Funds</u>	<u>Amount</u>
TURNER CONTRACT	
Construction Contingency	\$ 513,000
Facility Operations Building	2,300,000
Deck repair	330,000
<u>Pier 29 lighting, fencing, and paving</u>	<u>300,000</u>
Subtotal, Turner Uses	\$ 3,443,000
PORT	
Furniture, Fixtures and Other Finishing Det	901,574
<u>Total Uses</u>	<u>\$ 4,344,574</u>

In September 2013, the Port Commission approved a final Project budget of \$115.3 million that included \$113.3 million in project funding and a \$2.0 million Project Contingency Fund and an additional \$2.0 million in Project Contingency Funds as part of the Port's capital budget. If this additional Phase 3 scope is approved as recommended, the overall budget will remain at the Port Commission approved amount of \$115.3 million. However, \$1.1 million of the \$2.0 million Project Contingency Funds will be reallocated to the Turner CM/GC Contract and \$0.9 million will remain in the Port's capital budget.

Table 3: Cruise Terminal Project Budget Update

	APPROVED BUDGET	PROPOSED CHANGE	REVISED BUDGET
TURNER			
Construction	\$ 83,853,241	\$ 630,000	\$ 84,483,241
<i>Project Savings</i>		(2,300,000)	
<i>Facility Operations Building</i>		2,300,000	
<i>Deck repair</i>		330,000	
<i>Pier 29 lighting, fencing, and paving</i>		300,000	
<u>Construction Contingency</u>	<u>\$ 7,643,729</u>	<u>\$ 513,000</u>	<u>\$ 8,156,729</u>
<i>Subtotal, Turner Construction</i>	<i>\$ 91,496,970</i>	<i>\$ 1,143,000</i>	<i>\$ 92,639,970</i>
KMD/DPW	\$ 21,258,137	\$ -	\$ 21,258,137
PORT	\$ 532,000	\$ 901,574	\$ 1,433,574
PROJECT CONTINGENCY	\$ 2,044,574	\$ (2,044,574)	\$ -
TOTAL EXPENDITURES	\$ 115,331,681	\$ -	\$ 115,331,681

Contract and Schedule Adjustments

If this Phase 3 additional project scope is approved, additional authorization will be required for the Turner CM / GC contract and the Design Team architectural and engineering contract. Also, the terms of the all three Project contracts (the Turner CM / GC contract, the Design Team architectural and engineering contract, and the DPW MOU) will need to be extended to April 30, 2015 to provide additional time to accomplish the Project work, as projected below.

February 28, 2013	Phase 1, completed
November 1, 2013	Phase 2, commenced
July 31, 2014	Phase 2, substantial completion
July 31, 2014	Completion of Pier 29 lighting, fencing and paving
July 31, 2014	Completion of underdeck repairs
September 18, 2014	Planned first ship call
September 22, 2014	Ceremony for second ship call
December 24, 2014	Phase 3, substantial completion of Facilities Operations Building
April 30, 2015	Final completion of project and closeout

First, the proposed project scope increases the need for Construction Manager / General Contractor services. As detailed in *Table 4*, the proposed scope increases construction requirements by \$3,443,000. However, the \$2,300,000 projected savings results in a net increase of \$1,143,000.

Table 4: Turner Scope Adjustment

Turner Scope Adjustments	\$ 3,443,000
Project Savings	(2,300,000)
Turner Contract Adjustment	\$ 1,143,000

As a result, Port staff is seeking authorization to execute an amendment to the Construction Manager / General Contractor contract with Turner to increase the total authorized contract amount by \$1,143,000, from \$100,107,601 to an amount not to exceed \$101,250,601, to fund additional construction scope of the Project. Port staff also seeks authorization to extend the term expiration date from December 31, 2014 to April 30, 2015.

Table 5: Turner Contract Authorization

	Approved	Change	Request
America's Cup Projects	\$ 8,610,631	\$0	\$ 8,610,631
Cruise Terminal Project	91,496,970	1,143,000	92,639,970
Turner Contract	\$100,107,601	\$ 1,143,000	\$101,250,601

Second, the additional construction scope will require an increase in Architectural and Engineering services. Port staff is seeking authorization to execute an amendment to the Architectural and Engineering contract with the joint venture of Kaplan, McLaughlin, Diaz Architects and Pfau Long Architecture in association with Bermello Ajamil and Partners ("Architects / Engineers") to increase the total authorized contract amount by \$250,000, from \$11,491,708 to an amount not-to-exceed \$11,741,708. Port staff also seeks authorization to extend the term expiration date from December 31, 2014 to April 30, 2015. No increase to the budget will be required for these services, since there is sufficient funding in the project account to support this work.

Table 6: Design Team Contract Authorization

	Approved	Change	Request
Architects / Engineers	\$ 11,491,708	\$ 250,000	\$ 11,741,708

Finally, Port staff is seeking authorization to execute an amendment to the Memorandum of Understanding (MOU) with the San Francisco Department of Public Works ("DPW") to extend the term expiration date from December 31, 2014 to April 30, 2015. The additional construction scope and schedule extension will require increased construction administration support and project management services. The Design Team will need an additional \$250,000 to support the construction work. Therefore, the Design Team's contract term will have to be extended to April 30, 2015. There are sufficient funds in DPW's project account to fund this work.

CONTRACT AND ENVIRONMENTAL COMPLIANCE

Local Business Enterprise Participation

Turner has been very successful with meeting Local Business Enterprise ("LBE") and Local Hiring requirements. According to the Office of the City Administrator Contract Monitoring Division, Turner exceeded the 17% LBE participation goal established for the CM / GC Contract by committing 26% of the total awarded sub-trade bid packages to small and micro-LBEs for Phase 1 construction work. Turner also exceeded the 25% Federal Small Business Enterprise ("SBE") goal by awarding 28% of the federally-funded bid packages to SBEs where applicable for Phase 1. Additionally, Turner surpassed the 20% local hiring level by 7%, with a 27% hiring rate of local residents for Phase 1 of the project.

For Phase 2, Turner exceeded the 17% established LBE goal by committing 25.5% of awarded sub-trade packages to LBEs. Turner also exceeded the 25% Federal Small Business Enterprise (SBE) goal by awarding 51% of the federally funded sub-trade bid packages to SBEs. Additionally, Turner surpassed the 25% local hiring level by 41%, as reported by the Office of Economic and Workforce Development up to March 1, 2014.

As for the architectural and engineering work for the Project, the LBE subcontracting goal for this Design Team contract is 15% of the total value of the entire contract. As of April 30, 2014, the Design Team has achieved 44% LBE participation.

California Environmental Quality Act

On December 15, 2011, the San Francisco Planning Commission certified the Final Environmental Impact Report (Final EIR) for the James R. Herman Cruise Terminal and Northeast Wharf Plaza and 34th America's Cup projects, pursuant to the requirements of the California Environmental Quality Act (CEQA).

On December 16, 2011, the Port Commission adopted CEQA Findings and Mitigation Monitoring and Reporting Programs ("MMRP") applicable to these projects, in Resolution Nos. 11-75 and 11-79, respectively and approved the Project. On April 24, 2012, the Port Commission adopted Resolution 12-34, finding the Mitigation Measures in the Final EIR for the modified 34th America's Cup Project, to be feasible, and adopting the CEQA Findings and Mitigation Monitoring and Reporting Program for the modified 34th America's Cup Project, including the Statement of Overriding Considerations, which the Port Commission hereby incorporates herein by reference. The Final EIR, CEQA Findings and MMRP, which are incorporated herein by reference, address the environmental effects of the Cruise Terminal and America's Cup projects in their entirety and applicable mitigation measures. The Project files, including the Final EIR and Resolutions Nos. 11-75, 11-79, and 12-34, have been made available for review by the public and, and those files are part of the record before this Commission.

The improvements, which are the subject of the proposed amendments to the Design contract, CM / GC Contract and MOU, were included in the Project that was

analyzed in the Final EIR. Since the projects were approved, there have been no substantial Project changes that would require major revisions to the Final EIR due to the involvement of new significant environmental effects or an increase in the severity of identified significant impacts, and there is no new information that would change the conclusions set forth in the Final EIR.

CONCLUSION

The proposed amendments to the Turner CM / GC Contract, the Design Team architectural and engineering contract, and the DPW MOU will allow the Port to fully utilize the projected Cruise Terminal construction budget savings and a portion of the Project Contingency to construct a new Facilities Operations Building, provide lighting, fencing and paving at Pier 29, and provide additional underdeck repairs.

Prepared by: Kim von Blohn, Project Director,
Engineering and

Meghan Wallace, Budget Manager,
Finance and Administration

For: Uday Prasad, Interim Chief Harbor
Engineer, Engineering and

Elaine Forbes, Deputy Director,
Finance and Administration

Attachments:

Attachment 1 – Pier 27 James R. Herman and Northeast Wharf Plaza Project
Site Plan

Attachment 2 – Facility Operation Building at Pier 27

Attachment 3 – Facility Operation Building Details

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-28

- WHEREAS, On April 12, 2011, by Port Commission Resolution No. 11-22, the San Francisco Port Commission authorized Port staff to utilize the Integrated Project Delivery approach for the procurement of construction services and authorized the San Francisco Department of Public Works ("DPW") to advertise for a Construction Manager/General Contractor to help design and construct the Pier 27 James R. Herman Cruise Terminal and Northeast Wharf Plaza Project (the "Project"); and
- WHEREAS, On April 20, 2011, DPW, on behalf of the Port, issued a Request for Qualifications ("RFQ") to select a qualified Construction Manager/General Contractor for the Project; and
- WHEREAS, On June 14, 2011, the Port Commission adopted Resolution No. 11-45, authorizing the contract award for Construction Manager/General Contractor services for the Project ("CM/GC Contract") to Turner Construction Company for the not-to-exceed amount of \$3,581,137, and authorized staff to increase the contract amount, if needed for unanticipated contingencies, by an additional \$358,114 (10% of \$3,581,137) for a total contract funding of \$3,939,251; and
- WHEREAS, As Construction Manager/General Contractor for the Project, Turner Construction Company is required to provide a fully functional, complete and operational Project, including, in accordance with the Integrated Project Delivery approach, certain pre-construction services before Project approval; and
- WHEREAS, On December 15, 2011, the San Francisco Planning Commission certified the Final Environmental Impact Report ("Final EIR") for the Project, Planning Department Case No. 2010.0493E; and
- WHEREAS, On December 16, 2011, the San Francisco Port Commission approved the Pier 27 James R. Herman Cruise Ship Terminal and Northeast Wharf Plaza Project and the 34th America's Cup Project and adopted California Environmental Quality Act ("CEQA") Findings and Mitigation Monitoring and Reporting Programs ("MMRP") applicable to these projects, in its Resolution Nos. 11-75 and 11-79, respectively and which are incorporated herein by reference; and
- WHEREAS, On April 24, 2012, the San Francisco Port Commission adopted Resolution 12-34, finding the Mitigation Measures in the Final EIR for the modified 34th America's Cup Project, to be feasible, and adopting the CEQA Findings and Mitigation Monitoring and Reporting Program for the modified 34th America's Cup Project, including the Statement of

Overriding Considerations, and which the Port Commission hereby incorporates herein by reference; and

- WHEREAS, The Project files, including the Final EIR and Resolutions Nos. 11-75, 11-79, and 12-34, have been made available for review by the public and, and those files are part of the record before this Commission; and
- WHEREAS, The Port Commission has reviewed and considered the information contained in the Final EIR, the findings contained in the Resolutions Nos. 11-75 11-79, and 12-34, and all written and oral information provided by the Planning Department, Port staff, the public, relevant public agencies, and other experts and the administrative files for the Project; and
- WHEREAS, To date, the Port Commission has authorized six contract amendments to the CM/GC Contract (Resolution Nos. 11-59, 11-78, 12-39, 12-40, 12-98 and 13-37) for a total contract value of \$100,107,601, including funding of certain public improvements related to the 34th America's Cup Event.
- WHEREAS, The Project status and schedule now warrant a further amendment to the CM/GC Contract with Turner Construction Company for the necessary funding, preparation, bidding, and implementation of additional trade subcontractor packages for construction of the Project as described in the accompanying staff report, which will continue to include robust local hire participation and will increase the Local Business Enterprise subcontractor participation above 17%; now, therefore be it
- RESOLVED, That the San Francisco Port Commission hereby authorizes the Executive Director to execute an amendment to the CM/GC Contract with Turner Construction Company to increase the total authorized contract amount from \$100,107,601 to an amount not to exceed \$101,250,601 for additional project scope as described in the accompanying staff memorandum; and be it further
- RESOLVED, That the Port Commission hereby authorizes an extension of the term of the CM/GC Contract to provide an amended expiration date of April 30, 2015; and be it further
- RESOLVED, That the Port Commission finds that the activities described in this Resolution do not require additional environmental review and hereby incorporates the CEQA Findings set forth in its Resolution Nos. 11-75, 11-79, and 12-34, by this reference thereto; and be it further
- RESOLVED, The Port Commission has reviewed and considered the Final EIR and record as a whole, finds that the Final EIR is adequate for its use as the decision-making body for the action taken herein to authorize an

amendment to the CM/GC Contract, and incorporates the CEQA Findings contained in Resolutions Nos. 11-75, 11-79, and 12-34, by this reference as though set forth in this Resolution; and be it further

RESOLVED, That the Port Commission further finds that since the Final EIR was finalized, there have been no substantial Project changes and no substantial changes in Project circumstances that would require major revisions to the Final EIR due to the involvement of new significant environmental effects or an increase in the severity of previously identified significant impacts, and there is no new information that would change the conclusions set forth in the Final EIR.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of May 13, 2014.

Secretary

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-29

- WHEREAS, On November 10, 2009, the San Francisco Port Commission authorized award of a contract to the joint venture team of Kaplan, McLaughlin, Diaz Architects and Pfau Long Architecture in association with Bermello Ajamil and Partners ("Design Team") in the amount of \$2,661,384 for architectural and engineering services through schematic design for the Pier 27 James R. Herman Cruise Ship Terminal and Northeast Wharf Plaza Project (the "Project"); and
- WHEREAS, On December 15, 2011, the San Francisco Planning Commission certified the Final Environmental Impact Report ("Final EIR") for the Project, Planning Department Case No. 2010.0493E; and
- WHEREAS, On December 16, 2011, the San Francisco Port Commission approved the Pier 27 James R. Herman Cruise Ship Terminal and Northeast Wharf Plaza Project and the 34th America's Cup Project and adopted California Environmental Quality Act Findings and Mitigation Monitoring and Reporting Programs applicable to these projects, in its Resolution Nos. 11-75 and 11-79, and which the Port Commission incorporates herein by reference; and
- WHEREAS, On April 24, 2012, the San Francisco Port Commission adopted Resolution 12-34, finding the Mitigation Measures in the Final EIR for the modified 34th America's Cup Project, to be feasible, and adopting the CEQA Findings and Mitigation Monitoring and Reporting Program for the modified 34th America's Cup Project, including the Statement of Overriding Considerations, and which the Port Commission hereby incorporates herein by reference; and
- WHEREAS, The Project files, including the Final EIR and Resolutions Nos. 11-75, 11-79, and 12-34 have been made available for review by the public and, those files are part of the record before this Commission; and
- WHEREAS, The Port Commission has reviewed and considered the information contained in the Final EIR, the findings contained in Resolutions Nos. 11-75, 11-79, and 12-34, and all written and oral information provided by the Planning Department, Port staff, the public, relevant public agencies, and other experts and the administrative files for the Project; and
- WHEREAS, To date, the Port Commission has authorized five contract amendments to Design Team contract for further architectural and engineering services (Resolution Nos. 11-22, 11-50, 11-77, 12-38 and

12-96) for a total contract value of \$11,491,708 and a contract term ending on December 31, 2014; and

- WHEREAS, The Design Team has satisfactorily completed design and engineering services to date within the authorized budget and has exceeded the City's Local Business Enterprise subcontracting goal with 44% participation; and
- WHEREAS, The Project status and schedule warrant additional architectural and engineering services from the Design Team for additional project scope as described in the accompanying staff memorandum; now therefore be it
- RESOLVED, That the Port Commission hereby authorizes Port staff to execute a contract amendment with the Design Team to include additional services as described in the accompanying staff memorandum, and to increase the amount of the contract from \$11,491,708, to a total amount not to exceed \$11,741,708; and be it further
- RESOLVED, That the Port Commission hereby authorizes an extension of the term of the Design Team contract to provide an amended expiration date of April 30, 2015; and be it further
- RESOLVED, The Port Commission has reviewed and considered the Final EIR and record as a whole, finds that the Final EIR is adequate for its use as the decision-making body for the action taken herein to authorize an amendment to the Design Team contract, and incorporates the CEQA Findings contained in Resolutions Nos. 11-75, 11-79, and 12-34, by this reference as though set forth in this Resolution; and be it further
- RESOLVED, That the Port Commission further finds that since the Project was approved and the Final EIR was finalized, there have been no substantial Project changes and no substantial changes in Project circumstances that would require major revisions to the Final EIR due to the involvement of new significant environmental effects or an increase in the severity of previously identified significant impacts, and there is no new information that would change the conclusions set forth in the Final EIR.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of May 13, 2014.

Secretary

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

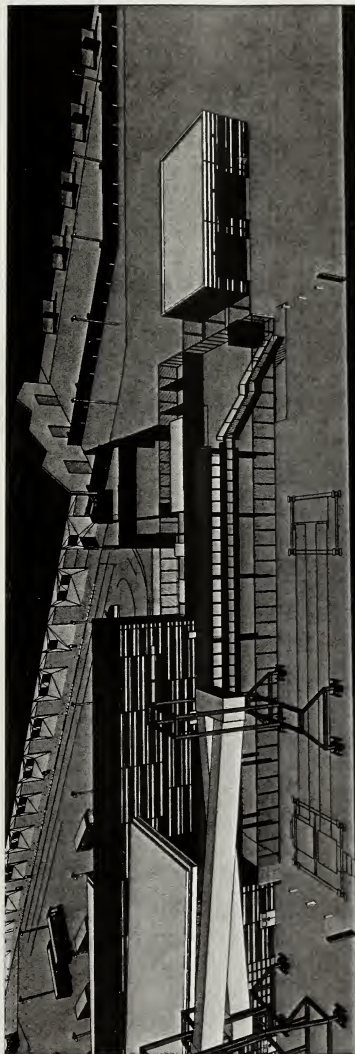
RESOLUTION NO. 14-30

- WHEREAS, On June 9, 2009, the San Francisco Port Commission adopted Resolution 09-33, authorizing Port staff to enter into a Memorandum of Understanding ("MOU") with the San Francisco Department of Public Works ("DPW") for the proposed Pier 27 James R. Herman Cruise Ship Terminal and Northeast Wharf Plaza Project (the "Project") in the amount of \$1,772,147 for project management services from Project development through completion of schematic design; and
- WHEREAS, To date, the Port Commission has authorized four MOU amendments (Resolution Nos. 11-22, 11-50, 11-76 and 12-98), increasing the total value of the MOU to \$9,714,495 and providing a contract term which expires on December 31, 2014; and
- WHEREAS, The Project status now warrants, and Port staff recommend, a further amendment to the MOU to extend the term of the MOU to expire on April 30, 2015, for DPW services needed for additional Project management as described in the accompanying staff report; and
- WHEREAS, On December 16, 2011, the Port Commission reviewed and considered the Final Environmental Impact Report for the Project and adopted CEQA findings applicable to the Project in Resolutions Nos. 11-75 and 11-79, and, further, approved amendments to the Port's CM/GC contract with Turner Construction Company, and the Port's architectural and engineering contract with the Design Team of Kaplan, McLaughlin, Diaz Architects and Pfau Long Architecture in association with Bermello Ajamil and Partners (Resolutions Nos. 11-77 and 11-78); now, therefore be it
- RESOLVED, That the Port Commission hereby authorizes Port staff to enter into an amendment to the MOU with DPW to extend the term of the MOU to expire on April 30, 2015.

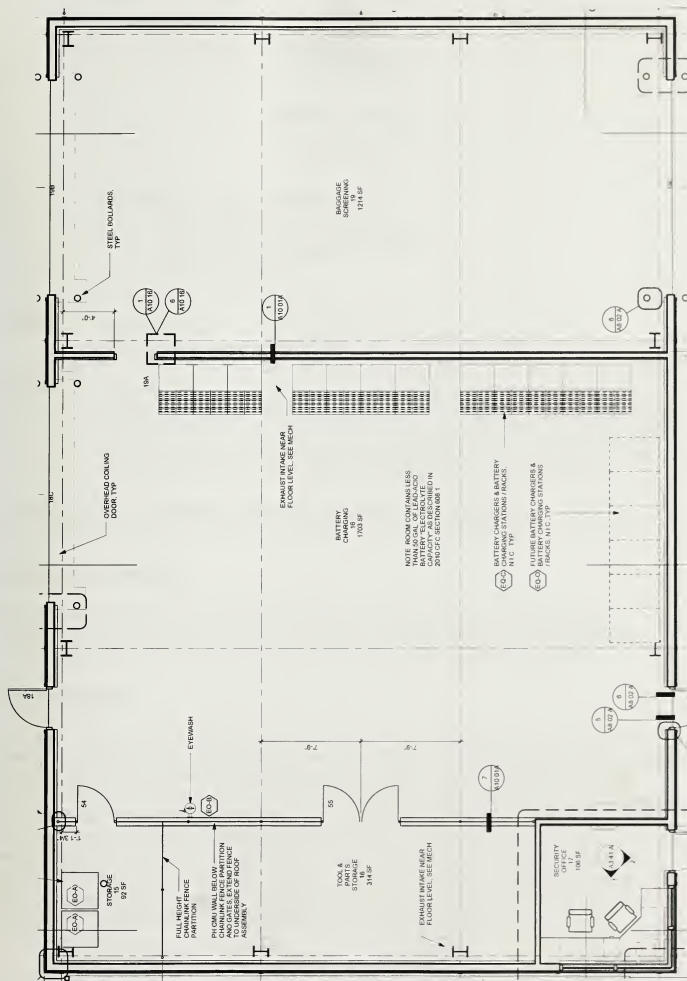
I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of May 13, 2014.

Secretary





Attachment 3: Facility Operations Building





MEMORANDUM

May 9, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer
Executive Director *mmoyer*

SUBJECT: Request approval of Second Amendment to Lease No. L-14282 with the San Francisco Bar Pilots Benevolent and Protective Association for space located at Pier 9 located on The Embarcadero at the foot of Vallejo Street to reduce the size of the Premises, change the security deposit instrument type, specify future rent adjustments and to make other changes

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

EXECUTIVE SUMMARY

This amendment would reduce the size and rent of the parking area of the San Francisco Bar Pilots' current premises, specify future rent adjustments, update the security deposit requirement, and add new City and Port legal requirements.

BACKGROUND

The San Francisco Bar Pilots Benevolent and Protective Association (the "Bar Pilots") has been operating on San Francisco Bay since 1850, more than a decade before the Port of San Francisco was officially established in 1863. Since 1989, the Bar Pilots' headquarters have been at Pier 9, on The Embarcadero at the foot of Vallejo Street. The premises consist of approximately 19,718 square feet of office; 20,088 square feet of shed (used for parking and storage); and 14,342 square feet of apron space (used for vessel berthing). The current lease, No. L-14282 (the "Lease"), was approved in April 2008, and amended in December 2009; it expires in December 2026. As of January 1, 2014, the Bar Pilots' monthly rent is \$109,361.48 which equates to \$1,312,337.76 in annual rent. The Bar Pilots are a maritime tenant in good standing.

Another large tenant at Pier 9 since 2012 is Autodesk, Inc., a Delaware corporation ("Autodesk"). Autodesk's current premises are 27,160 square feet (see attached location map). Autodesk has made a significant investment into Pier 9 and is a tenant in good standing.

The Port Commission, at its December 6, 2013 meeting, approved a Third Amendment to Lease No.L-15169 with Autodesk, Inc. ("Autodesk Third Amendment") now pending for approval by the Board of Supervisors at its May 13, 2014 meeting. The Autodesk Third Amendment increases Autodesk's premises by 3,400 square feet. Autodesk intends to construct a robotic laboratory in the unimproved shed space, which is located adjacent to its current premises. The Amendment requires Autodesk to invest no less than \$2,040,500 in base building core-and-shell and tenant improvements.

The Autodesk expansion space abuts the Bar Pilots' cyclone fence and entrance gate. The proposed Autodesk expansion would create a zero-property line, blocking the Bar Pilots' current entrance gate and making vehicle ingress and egress difficult.

Autodesk and the Bar Pilots have mutually agreed to relocate the Bar Pilots' fence and entrance gate eastward, thereby reducing the Bar Pilots parking area by 5,018 square feet, and creating improved vehicle circulation and paths of travel, including access to the entrance gate and a vehicle turn-around area. This proposed Second Amendment to the Bar Pilots lease reduces the Bar Pilots' parking area by 5,018 square feet and decreases the corresponding monthly rent by \$5,319.08.

In consideration of this accommodation, Autodesk is required to relocate the Bar Pilots' fence and gates, plus any corresponding electronic apparatus, at its sole cost and expense. In addition, Autodesk will reimburse the Bar Pilots for any costs incurred in the construction or alterations to any access to the exterior apron deck that will be necessary due to the relocation of the fence. Autodesk will also reimburse the Port for any loss of rent resulting from the Bar Pilots' space reduction or loss of parking stalls through the term of the Autodesk Lease, which is January 23, 2023. These terms are included in the Autodesk Third Amendment.

Additionally, Port staff have agreed to two other modifications to the lease: (i) Rental resets at prevailing market rates with no guaranteed minimum; and (ii) ability to substitute certain financial instruments other than cash for the Bar Pilots' security deposit fund (for example, a Standby Letter of Credit). Specifically the rent adjustment in Year 6 (starting January 1, 2015) and Year 10 (starting January 1, 2020) will be reset to prevailing market rates (in each case, rather than the higher of the current base rent or the prevailing market rate) which could result in a decrease in Base Rent depending upon market conditions. Finally, the Bar Pilots have agreed to include updates to the Port's standard lease provisions such as indemnification language and a section that encourages local business participation.

PROPOSED AMENDMENT TO LEASE

Port staff and the Bar Pilots have agreed on terms and conditions of a Second Amendment to amend certain provisions of the Lease to: (i) reduce the size by 5,018 square feet and rent by \$5,319.08 for Parcel B of the Premises; (ii) specify that the rent adjustment in Year 6 (starting January 1, 2015) and Year 10 (starting January 1, 2020) will be to prevailing market rates (in each case, rather than the higher of the current base rent or the prevailing market rate) which could result in a decrease in Base Rent depending upon market conditions; (iii) update the security deposit requirement to allow the Pilots to provide a financial instrument other than cash for the remaining security deposit now due on January 1, 2015, for example, a Standby Letter of Credit; and (iv) update standard lease provisions and add new City and Port requirements, such as updating the indemnification language and encouraging local business participation.

Existing Bar Pilots' Rent Schedule:

Month Base Rent	Months	Sq. Ft.	Monthly Base Rent	Total Monthly Base Rent
Parcel A Parcel B Parcel C	49-60	19,718 (Office) 20,088 (Shed) 14,342 (Apron)	× \$4.27 × \$1.06 × \$0.27	= \$ 84,195.86 = \$ 21,293.28 <u>= \$ 3,872.34</u> = \$109,361.48
Parcel A Parcel B Parcel C	61-120*	19,718 (Office) 20,088 (Shed) 14,342 (Apron)	The higher of the then-current Base Rent or the Prevailing Market Rate discounted by 20% and increased by 3% annually	
	121-204	19,718 (Office) 20,088 (Shed) 14,342 (Apron)	The higher of the then-current Base Rent or the Prevailing Market Rate and increased by 3% annually	

Under the proposed Second Amendment the schedule for Monthly Base Rent and premises square feet shall be as follows:

Monthly Base Rent	Months	Sq. Ft.	Monthly Base Rate	Total Monthly Base Rent
Current Commencing 1/1/2014	49-60	19,718 (Office) 15,070 (Shed) 14,342 (Apron)	\$4.27 \$1.06 \$0.27	\$84,195.86 \$15,974.20 <u>\$3,872.34</u> Total \$104,042.40
Year 6 Commencing 1/1/2015	61-120	19,718 (Office) 15,070 (Shed) 14,342 (Apron)	Prevailing Market Rate discounted by 20% and increased by 3% annually	
Year 10 Commencing 2020	121-204	19,718 (Office) 15,070 (Shed) 14,342 (Apron)	Prevailing Market Rate and increased by 3% annually	

California Environmental Quality Act

Under the California Environmental Quality Act (CEQA), the environmental effects of the Second Amendment were reviewed and determined to be exempt from CEQA under a General Rule Exclusion issued by the San Francisco Planning Department to the Port, dated February 2, 2012, which allows the Port to lease and manage property where there is no change or substantial intensification of the existing use.

RECOMMENDATION

Staff recommends the Port Commission approve the attached Resolution and authorize the Executive Director to execute the Second Amendment to Lease No. L-14282.

Prepared by: Jeffrey A. Bauer
Senior Leasing Manager

For: Peter Dailey
Deputy Director, Maritime

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-31

- WHEREAS, Section B3.581 of the Charter of the City and County of San Francisco empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and
- WHEREAS, the San Francisco Bar Pilots Benevolent and Protective Association (the "Bar Pilots") has been operating in San Francisco since 1850; and
- WHEREAS, the Bar Pilots have been a Port of San Francisco maritime tenant at Pier 9 since 1989 and are a Tenant in Good Standing; and
- WHEREAS, the Port Commission approved a Third Amendment to Lease No.L-15169 with Autodesk, Inc. ("Autodesk") to expand its premises by 3,400 square feet which expansion space abuts the Bar Pilots' current cyclone fence and entrance gate thereby blocking the Bar Pilots' entrance and making vehicle ingress and egress difficult; and
- WHEREAS, the Bar Pilots have agreed to reduce its premises by 5,018 square feet to relocate the fence, entrance gate and electronic apparatus at Autodesk's sole cost and expense and Autodesk has also agreed to reimburse the Port for any lost rent resulting from the reduction of the Bar Pilots' premises; and
- WHEREAS, as further described in the Memorandum dated May 9, 2014, the Bar Pilots and the Port negotiated a Second Lease Amendment to amend certain provisions of the Lease to: (i) reduce the premises by 5,018 square feet and corresponding monthly rent by \$5,319.08; (ii) specify that the rent adjustment in Year 6 and Year 10 will be to prevailing market rates (rather than the higher of the current base rent or the prevailing market rate), which could result in a decrease in Base Rent depending upon market conditions; (iii) allow a security deposit in a form other than cash; and (iv) update standard lease provisions and add new City and Port requirements; and
- WHEREAS, pursuant to requirements under the California Environmental Quality Act (CEQA), the environmental effects of the Second Amendment were reviewed and determined to be exempt from CEQA under a General Rule Exclusion issued by the San Francisco Planning Department to the Port, dated February 2, 2012, which allows the Port to lease and manage property where there is no change or substantial intensification of the existing use; and

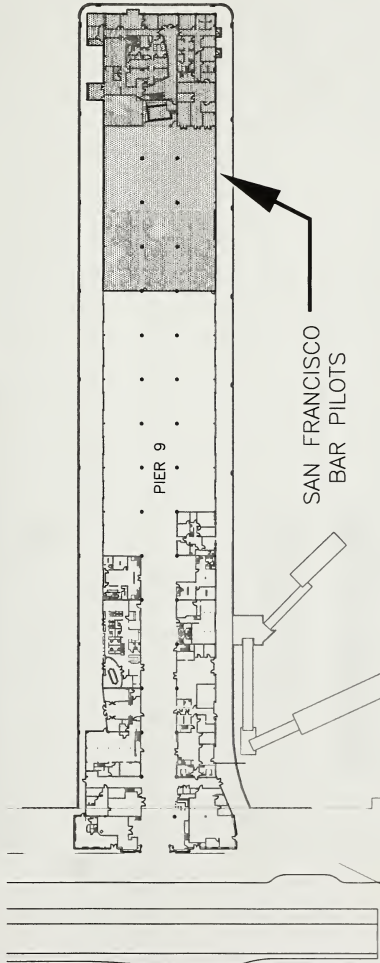
WHEREAS, Port staff recommends that the Port Commission approve the Second Amendment to Lease No. L-14282; now therefore be it

RESOLVED, that the Port Commission approves the Second Amendment to Lease No. L-14282 with the San Francisco Bar Pilots as described in the Memorandum dated May 9, 2014 and substantially in the form on file with the Port Commission Secretary and authorizes the Executive Director or her designee to execute the amendment; and be it further

RESOLVED, that the Port Commission authorizes the Executive Director or her designee to enter into any additions, amendments or other modifications to the Second Amendment that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the City or Port or materially decrease the benefits to the City or Port, and are necessary or advisable to complete the transactions which the Second Amendment contemplates and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director or her designee of such documents.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of May 13, 2014.

Secretary



SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

TENANT

SAN FRANCISCO
BAR PILOTS

DRAWN BY: ECC

CHECKED BY: J. BAUER

PLACE CODE NO.

DATE: OCT 11, 2012

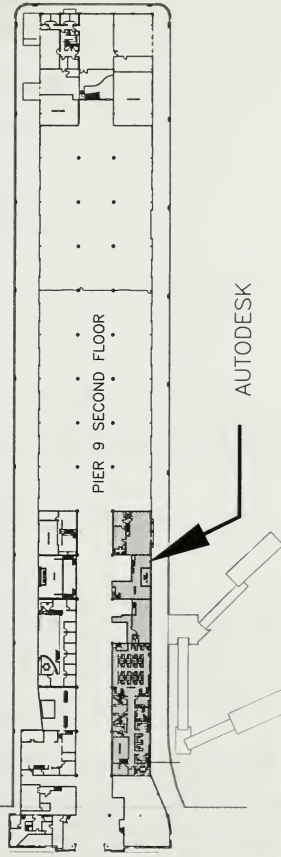
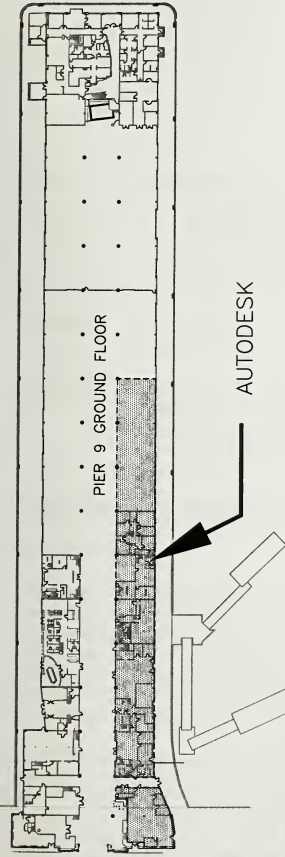
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
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SHEET NO.

OF

5 SHEETS



 SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

TENANT

AUTODESK

DRAWN BY: ECC

CHECKED BY: J. BAUER

PLACE CODE NO.

DATE: OCT 11, 2012

SCALE: 1" = 100'

SHEET NO.

1090-00

OF

SHEETS



MEMORANDUM

May 9, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *mmoyer*
Executive Director

SUBJECT: Informational Presentation on the Cruise Terminal Management Agreement with Pacific Cruise Ship Terminals, LLC and Passenger Fee Increase for the James R. Herman Cruise Terminal at Pier 27, Pier 35 and Piers 30-32 at the Embarcadero and Lombard, Bay and Bryant Streets, respectively

DIRECTOR'S RECOMMENDATION: No Action. Informational Only

BACKGROUND

The October 12, 1998 staff report to the Port Commission stated that "a new cruise terminal is required in San Francisco to efficiently meet the current needs of cruise lines and passengers, as well as the expected increase in future cruise business." Port staff recommended development of a new, two-berth cruise terminal. When this staff report was written in 1998, 27 cruise ships called at the Port. This year there will be 75 cruise calls with approximately 260,000 passengers. Next year, there may be as many as 84 cruise calls with approximately 300,000 passengers.

The 1998 staff report cited the cruise terminal facility at Pier 35 as "inadequate for several reasons, including the narrow width and aprons, limited occupancy, high operating costs, lack of passenger parking, unsightliness, minimal bus and taxi waiting areas and chaotic internal and external circulation." Despite these physical limitations partly mitigated by Port improvements to Pier 35, the Port's cruise terminal operator, Metro Cruise Lines, LLC, has received consistently high passenger ratings through superior service.

THIS ITEM COVERS CALENDAR ITEM NO. 11B

Since then, the Port has twice attempted to construct a new cruise terminal through public-private partnerships. Both attempts failed. Since 2007, the Port embarked on a development plan to deliver to the City a new, primary cruise terminal at Pier 27 that not only creates a cost-effective cruise operation, but will ultimately enhance the City's reputation as a world class, waterfront city and tourist destination. This new, single-berth cruise terminal, named after former Port Commissioner James R. Herman, will also preserve and promote one of the City's major maritime industries.

This development has been primarily funded by the Port to ensure that design and operation of the cruise terminal would meet cruise industry standards. In addition, the Port has been fully committed to developing a community asset that includes significant and unique public open space and public access to the Bay as well as creating an event venue that can be used for waterfront visitors.

Through a series of Port Commission actions, the Port has entered into contracts to design and construct the Pier 27 cruise terminal in phases. The initial phase was completed in March 2013 and was used as the 34th America's Cup Global Village. When the races were completed and returned to the Port in November 2013, the Port initiated the second phase of construction. On a separate path, the Port Commission approved issuance of a Request for Proposals in October 2012 for a terminal operator to manage cruise terminal operations, events and parking.

On June 11, 2013, the Port Commission authorized staff to commence management agreement negotiations with Pacific Cruise Ship Terminals, LLC (which includes both Metro Cruise Services and Metro Shore Services or collectively known as Metro) for the James R. Herman Cruise Terminal at Pier 27 (Pier 27) and the cruise terminal at Pier 35 (collectively, Cruise Terminals). Port staff has been negotiating a management agreement with Metro for the past several months and, on a parallel path, the Port, through Turner Construction, has been managing the second phase of Pier 27 construction. Pier 27 construction is currently scheduled for substantial completion on August 1, 2014. The Port is scheduled to host the Princess Cruise Lines' *Crown Princess* as the first cruise ship to berth at Pier 27 in late September 2014. The Port has also reserved its first event with the San Francisco Maritime Museum on October 4, 2014. Pier 35 will remain as a back-up cruise terminal and also serve as an event venue. As necessary, Piers 30-32 will also serve as an additional cruise berth.

Having served as the Port's experts in the cruise terminal development, Bermello & Ajamil (B&A) reviewed the current structure of the cruise terminal management agreement. B&A analyzed the Port's position within the context of the West Coast market and presented their findings to the Port Commission on September 10, 2013.

B&A showed how different ports managed their cruise terminal operations ranging from complete outsourcing of the management to performing all functions in-house or a combination thereof. B&A recommended an operating model that would include: 1) allowing Metro to operate the facility and pay the Port an annual operating fee (which is unique in the industry) and 2) participating in other Metro-generated revenue as long as

there were provisions to have a mechanism to control the quality of the operations against performance parameters, such as annual customer satisfaction surveys, and competitive cost analyses.

B&A also provided a comparative analysis of user charges imposed by ports to determine the relative competitiveness of Port of San Francisco's vis-à-vis other ports along the West Coast. B&A developed the total cost, per passenger, of a cruise ship call to San Francisco and compared that to other port competitors, provided specific breakdown by cost category (including labor, tariffs and other charges) and provided an analysis to the price sensitivity of costs to cruise lines.

B&A concluded that since the Port has made a major investment in a new cruise terminal at Pier 27, it would be acceptable that the Port raise its passenger fee. Raising this fee can be done within a context that the Port: 1) fulfill its mission to maximize the volume of cruise calls, 2) operate the facility in a cost-effective manner that enhances the efficiency of passenger embarkation and disembarkation times, and 3) calculate the fee increase within a framework of West Coast cruise competitiveness.

PROPOSED INCREASE IN PASSENGER FEE

Port staff recommends raising its passenger fee from \$12 to \$18 person commencing January 1, 2015. This is a fee that is paid directly by the cruise lines and not part of the proposed management agreement. Nonetheless, this \$6 per passenger fee increase is integral with the proposed fiscal performance of Pier 27, Pier 35 and Piers 30-32 operations. It remains as the single most lucrative cruise revenue source for the Port. While this fee will increase revenues for the Port, it is also linked to the Port's ability to operate the new Pier 27 more efficiently and provide greater customer satisfaction. Any passenger fee above \$18 may result in diminishing returns to the Port (i.e., a higher fee may be a disincentive for cruise lines to berth ships in San Francisco). The fiscal impacts of the passenger fee are noted below.

PROPOSED MANAGEMENT AGREEMENT

GENERAL TERMS:

Locations:

Metro will manage:

- a) Pier 27 that generally includes the cruise terminal, the ground transportation area and the eastern provisioning area, but excludes the Cruise Terminal Plaza (formerly known as the Northeast Wharf Plaza) and the Beltline building area (see Exhibit A).
- b) Pier 35 that includes portions of the passenger terminal (see Exhibit B).
- c) Piers 30-32 as an overflow berth for cruise operations

Pier 27 will be used as the primary berth with the two-berth Pier 35 as back-up on multiple cruise call days. However, there may be occasions that an additional berth is needed or preferred for cruise berthing. In this case, Metro will be able to manage cruise operations at Piers 30-32 and other berths, as appropriate, during the term of the management agreement.

Passenger Cruise Operations:

Metro's responsibilities include:

- a) Manage all facility operations at the Cruise Terminals, including terminal security and safe berthing of cruise vessels and embarkation and disembarkation of passengers;
- b) Coordinate with federal agencies to maximize efficient movement of passengers and baggage handling;
- c) Provide equipment and gear necessary for cruise operations;
- d) Maximize a safe and efficient flow of vehicular and pedestrian traffic; and
- e) Employ a well-trained, certified and stable workforce with demonstrated experience in cruise operations.

In addition, Metro will coordinate and cooperate with the U.S. Coast Guard and all city, state and federal agencies with regulatory jurisdiction over passenger cruise operations to provide safe transit operations, working conditions and emergency services for the protection of all passengers, dockworkers, Port employees and visitors to the premises of the Cruise Terminals.

Events Management:

Metro, in partnership with Hartmann Studios, will be responsible to:

- a) Develop, maintain and periodically update a comprehensive schedule of non-cruise events and event rate structure;
- b) Schedule the proposed events so that they will not conflict with cruise terminal operations, but maximize the revenue potential and utility of the Cruise Terminal;
- c) Develop an implementation plan to promote and coordinate events which attract visitors as well as local and regional audiences to the waterfront. Events may include meetings, conferences and other events within the terminal, and cultural and entertainment events in the terminal and the ground transportation area; and
- d) Ensure that an event organizer complete all necessary logistics to plan and stage an event.

Parking Management:

If permitted by the Bay Conservation and Development Commission (BCDC), Metro, through Impark, will be responsible to use best management practices and standards for operating the Pier 27 ground transportation area (GTA) for daily, visitor (non-commuter) and event parking when not required in connection with cruise operations. In

addition, Metro shall also be allowed to use Pier 35 as ancillary parking, including potential parking and valet service for passengers embarking from Pier 27.

PAYMENT AND RESPONSIBILITIES:

Term: The agreement shall run for 10 years from its commencement date of the first day of the calendar month immediately following approval of this agreement by the Port Commission. There will be one 5 year option.

Financial Terms: Metro shall pay to the Port:

1. A base facility payment of \$180,000/year for the Cruise Terminals, increasing by 3% annually.
2. If there are over 87 cruise calls in any one year during the term, the base facility payment is reduced by \$60,000 per year; if there are over 92 cruise calls in any one year, then the base facility payment is reduced an additional \$60,000 per year; if there are over 97 calls in any one year, then the base facility payment is reduced another \$60,000 per year, resulting in a base facility payment of \$0. This payment scheme is intended to incentivize Metro to berth as many cruise ships as feasible.
3. 60% of Gross Revenue (after deducting the 25% City Tax on parking) for Pier 27 and Pier 35 parking operations. This is less than the Port's standard 66%. Port staff recommend a lower percentage because the Pier 27 Ground Transportation (GTA) parking will be operated as a manned parking lot which will have higher operation costs. Also, the GTA parking will be available only when there are no cruise bookings and other events scheduled. This percentage may have to be re-negotiated based on the outcome of negotiations with BCDC if Pier 27 GTA parking capacity is reduced or eliminated which would have the impact of dramatically reducing the income to the Port and the Port's ability to afford the project.
4. 50% of Gross Revenue from Metro-generated event use and all other uses (other than parking and cruise operations) at Piers 27 and 35.

Key Performance Indicators: Metro will be held to certain performance indicators that require annual submission of: 1) cruise passenger surveys that demonstrate customer satisfaction of the quality of operations and 2) operational cost analyses to remain competitive with West Coast cruise ports.

Maintenance: In general, Metro will be responsible to maintain the Cruise Terminals in a neat, clean, safe and orderly condition. Metro will have to retain sufficient personnel, equipment and contracted services to provide a level of customer service equal to or exceeding those of other U.S. West Coast cruise terminals. The allocation of maintenance responsibilities between the Port and Metro are delineated below.

Metro will be responsible for routine maintenance and repair of items connected to the operation, maintenance and management of the Cruise Terminals.

- At Pier 27 and Pier 35, Metro will be responsible for undertaking all necessary cleaning of the terminal buildings, including all furniture, fixture and equipment located therein and shall ensure that the Terminals are maintained in a clean and sanitary condition and in proper working condition at all times. All bathrooms and public spaces must be regularly cleaned and checked at such intervals as may be necessary to ensure the continued cleanliness of such spaces at all times.
- At Pier 27, Metro will be responsible for maintaining the Pier 27 roof and the physical condition of the entire deck of the Pier 27 site, including not only the terminal area, the ground transportation area, and the provisioning area, but also the BCDC-designated public access areas (but not including Cruise Terminal Plaza and the Beltline Building area).
- At Pier 27, Metro will be responsible for all routine maintenance and repair of the cruise terminal building premises including but not limited to the following equipment categories within the terminal building, as well as warranties management, as applicable, for doors, conveyance systems, plumbing systems, roof, mechanical systems, fire protection/detection systems, electrical systems, lighting, security systems (including closed circuit TV), telephone and data systems, luggage equipment, floor coverings, interior surfaces and ceilings, windows/glazing, signage boards, parking striping and equipment, interior office spaces and U.S. Customs and Border Protection areas.
- At Pier 35, Metro will be responsible for all routine maintenance and repair of the cruise terminal building premises including but not limited to the following equipment categories within the terminal building, as well as warranties management, as applicable, for interior surfaces and ceiling, interior wall surfaces and ceiling, windows, interior and exterior lighting, floor coverings, deck surface, roll-up doors, restrooms, fencing, gates, electrical systems, telephone and data systems, fire protection/detection systems, above deck plumbing systems, vessel schedule boards, closed-circuit television and access control systems, modular barriers, and interior wall spaces.
- At Pier 27, Port will be responsible for routine maintenance (including periodic clean-up, power sweeping) of the GTA, eastern provisioning and Piers 27-29 public access deck area. The Port will maintain the shoreside power installation, the mobile gangway system and any lawns, trees and plants within the GTA and the Cruise Terminal Plaza.

Security: Metro will be responsible for providing security (including exterior lighting and security fencing) on a daily basis for Pier 27 premises, Pier 35 and Piers 30-32 (when there are cruise calls). For cruise days, Metro is required to develop and implement a U.S. Coast Guard-authorized Cruise Terminal Facility Security Plan (FSP) in compliance with the Marine Transportation Security Act of 2012.

Public Access: In compliance with the BCDC major permit, there will be on-going public access at the Cruise Terminal Plaza and designated access areas and limited access, per Federal security requirements, if there is a cruise ship at berth (See Exhibit C).

Local Business Enterprises: The Port Commission encourages the participation of local business enterprises (LBEs) in Metro's operations. In consultation with the City's Contract Monitoring Division, Metro agrees to implement good faith outreach efforts to solicit LBE participation in its operations and provide annual reporting of its efforts to the Port. Metro has identified areas where LBE participation may be implemented: 1) cruise terminal operations: suppliers of goods and equipment, janitorial services, valet parking, printing and design services for interior signage, etc.; and 2) events: marketing design, website and social media services, suppliers of goods and equipment, janitorial, printing, etc. (See Exhibit D).

ANALYSIS:

On June 11, 2013, the Port Commission authorized staff to enter into negotiations which allowed for more accurate projections of both revenue and costs. With the new Pier 27 cruise terminal, the Port will have two operating cruise terminals with a back-up berth at Piers 30-32. While Pier 27 will offer greater efficiencies from a customer perspective (i.e., a reduction in the time a passenger embarks to and disembarks from a cruise ship), it will also entail higher operating costs as a result of it being a modern, state-of-the-art facility (e.g., heating, ventilation and air conditioning (HVAC), shoreside power equipment, mobile gangway systems, a roof rainwater retention plumbing system, etc.).

Not only will these fixed operating costs increase, but variable (i.e., labor) costs will increase as well. For example, unlike Pier 35 which does not offer public access, Pier 27 will offer the public many opportunities to enjoy the San Francisco Bay. Accordingly, when a cruise ship is in berth, a federally-required security zone with prescribed fencing will be in effect. However, when a cruise ship is not in berth, then much of the site will be accessible to the public. The security fencing will open up to provide this public access. This will require constant opening and closing of the security fences and that will require additional labor. Additional labor will also be required to provide on-going security for Pier 27, whether or not there is a cruise event, simply because Pier 27 will be relatively open.

To offset these increased operational costs, the Port has identified four new revenue streams:

- 1) An increased passenger fee which is charged directly to the cruise lines;
- 2) Terminal Fee Payment from Metro to manage the Cruise Terminals;
- 3) Event revenue from both Pier 27 and Pier 35; and
- 4) Parking revenue for visitor daily parking (on non-cruise, non-event days) at the Pier 27 Ground Transportation Area (this, however, requires a BCDC permit amendment to allow for such parking; as noted below, negotiations are underway) and for passenger parking at Pier 35.

Port staff notes that the near-term outlook for San Francisco cruise calls is extremely promising. With the opening of the new Pier 27 terminal, staff hopes to continually attract as many cruise calls as possible and has structured the proposed contract accordingly. San Francisco will remain a viable destination because of the City's reputation as a tourist hub and its new terminal will be a state-of-the-art facility at one of the most attractive locations along the entire waterfront. After two attempts to develop a new cruise terminal through a public-private partnership, the Port is proud to present the City with a publicly-financed facility.

However, there are external forces that may impact annual cruise calls. These either may be attributable to: 1) market-driven pricing and length of a voyage, 2) macroeconomic forces that will either expand or dampen disposable income which may impact cruise demand and 3) exogenous events such as security threats (e.g. September 11, 2001 event), medical alert events (e.g., SARS epidemic), etc.

In addition, there are regulatory constraints to a dramatic increase in the number of cruise calls. One is the 1886 Passenger Services Act which restricts foreign-flagged cruise ships from embarking and disembarking passengers consecutively at two different U.S. ports. Another is the California Air Resource Board's (CARB) at-berth regulation to reduce emissions from auxiliary engines by either using shoreside power connection or using alternative control techniques that achieve equivalent emission reductions. While Pier 27 will be equipped with shoreside power, Pier 35 will not. If there is a dramatic increase in cruise demand to San Francisco resulting in double- or triple-headers, the Port will need to re-evaluate the need for a back-up facility that can comply with CARB regulations.

Base Case:

As shown on Exhibit E, Port staff has developed a "base case" financial scenario, representing the break-even scenario where Port revenue generally equals Port costs. The base case assumes potential revenue generated from 82 cruise calls projected events and parking usage (pending a BCDC permit amendment). This base case also incorporates detailed operating cost estimates. Variances from the base case, or break-even scenario, show the projected income/loss to the Port. As shown on Exhibit E, low (i.e. less than 82) calls will result in a net loss to the Port. Likewise, high calls will generate greater revenue to the Port.

Passenger Fee:

As noted above, the Port derives most of its cruise revenue directly from the cruise lines via the Passenger Fee. Assuming Port Commission approval of raising the fee from \$12 to \$18 per passenger and a base case of 82 calls, then the Port would generate \$5.3 million annually from cruise calls. The justification of this fee is simply an acknowledgment of the costs associated with constructing a new, state-of-the-art terminal that serves the cruise industry. Approximately 60% of the new facility (excluding the Cruise Terminal Plaza) is financed creating long-term debt repayment obligations. However, the proposed fee increase is constrained in order to remain cost

competitive with other West Coast cruise ports and continue to attract a minimum of 82 calls per year.

Base Terminal Payment:

Based on the base case of 82 calls per year, Metro would pay \$180,000, with 3% annual increases. If cruise calls are less than 87 per year, Metro would still pay this amount. However, as noted above, the Port wishes to incentivize Metro to maximize the number of cruise calls. During the ten year term, if there are between 88 – 92 cruise calls in any one calendar year, then Metro would pay the Port \$120,000 annually from cruise operations; if there are 93 – 97 cruise calls in any given calendar year, Metro would pay \$60,000 annually from cruise operations; and if there are more than 97 cruise calls, Metro would pay \$0 annually. These discounts will also increase annually at 3%.

Events:

There has been much interest to date in Pier 27 as an event venue along the waterfront. The new facility has proved initially to be particularly attractive to corporate and non-profit organizations. To date, the Port has reserved both Pier 27 and Pier 35 for at least five late 2014 events and a number of users are already contemplating reserving dates in 2015. This has been accomplished without a marketing plan in place because a management agreement has not been executed.

When the management agreement is executed, this will allow Metro and its partner, Hartmann Studios, to begin implementing a marketing plan to generate event activity at both piers. Under the base case model, Metro projected total event revenue of \$2.4 million a year for facility rentals of which: \$1.2 million would be paid to the Port. In addition, event users will be obligated to separately pay for parking if needed for the event. This potentially generates an additional \$47,000 to the Port. While the prospect of a Pier 27 event venue is promising in the near term, Metro will need to sustain event interest and marketing activity over the management term.

The Port acknowledges that there may be maritime and civic events in which there may be a facility rental fee waiver. Such maritime events (such as Fleet Week) that promote maritime use or maritime security meetings and civic events (such as U.S. Mayors Conference) may include events that promote city-wide goals that expressly bring people to the waterfront, as determined by the Port. In both cases, fee waivers would consist only of the facility rental fee, not the costs associated with janitorial services, security or parking. There will be an overall cap of 34 days per year for such maritime and civic events.

Parking:

Prior to Pier 27 construction, there had been 520 parking spaces at Pier 27. This included an estimated 300 parking spaces in the valley area between the Piers 27 and 29 sheds, 160 parking spaces inside the Pier 27 shed and up to 60 parking spaces along the pier apron. However, on March 22, 2012, BCDC issued Major Permit No. 2012.002.01, as amended, for the new cruise terminal construction and the America's Cup event. Under this permit, BCDC imposed, among other conditions, use of the GTA

only for cruise circulation use (i.e., vehicle staging, drop-off, pick-up, etc.) and for event visitor parking and support use. The permit was silent on the use of the GTA on days when there are no cruise calls or events.

The Port proposes to use the GTA for visitor, non-commuter parking to serve waterfront attractions when the GTA is not being used for cruise operations or events. Port staff estimates that this represents approximately 185 days per year and substantially less if cruise calls and events were to increase.

Parking in the GTA would not impact BCDC-designated public access avenues that would allow visitors to enjoy the Bay views (see Exhibit C). The Port intends to utilize the GTA on these non-cruise, non-event days to serve existing waterfront attractions such as the Exploratorium, Alcatraz Landing, the Cruise Terminal Plaza, etc. If parking on these days were not permitted, the GTA would become an empty dead-zone along the waterfront. Furthermore, the Port would have to install a security gate to prevent vehicular access and other encroachments. Discussions for a permit amendment are underway between Port and BCDC staffs.

Assuming BCDC will agree to a permit amendment, the Port has estimated approximately 330 parking spaces that might be dedicated for daily, non-commuter parking. Additionally, the Port will also provide 55 on-site bicycle racks and provide a staging area for pedicab use in the GTA. Under the base case, Metro projected gross parking revenue of approximately \$730,000. The Port has negotiated with Metro that 60% of the gross revenue after deducting the City tax of 25%, or approximately \$440,000 be paid to the Port based on the assumptions that the GTA would be a manned, part-time lot. However, this percentage may have to be re-negotiated with Metro depending on the outcome of negotiations with BCDC if parking space capacity has to be reduced or eliminated. A reduction or elimination of parking activities would also have the impact of dramatically reducing the net income to the Port and increasing the net loss.

A similar arrangement will occur with Pier 27 passenger parking at Pier 35. When Pier 35 is not being used for cruise operations or events, Metro, through Impark, will provide a valet service for passengers embarking and disembarking from Pier 27. Under the base case, this is estimated to generate \$287,000 per year in additional rent to the Port.

Total Port Income:

Under the base case shown in Exhibit F, Port will be paid by Metro approximately \$2.15 million per year. This, in addition to the Passenger Fee of \$5.3 million, will generate approximately \$7.45 million per year.

Total Port Costs:

To reiterate, Port staff also refined the Cruise Terminal operational costs. Debt service has been re-calculated as \$4.2 million per year. The Port has estimated a more accurate number of Port maintenance and City traffic enforcement costs of approximately \$339,000 per year. Finally, the Port must dredge three berths (Pier 27,

Pier 35 south, and Pier 35 north) to accommodate occasional double- or triple- header cruise calls. If the eastern berth of Piers 30-32 is used, then the Port does not need to dredge, but there are other Port operating costs because there is no terminal building. This is a fixed annual cost of \$2.2 million. Under the base case, annual total Port costs are estimated at \$7.45 million.

Net Revenue to Port:

The base case represents a “break-even” scenario in which total Port income would barely cover costs (resulting in net revenue of \$5,706). In other words, the base case shows when Port revenue covers its operating costs and debt service. Exhibit F shows different net operating scenarios depending on the number of cruise calls and special events. In the worst case scenario where there are only 70 cruise calls and a limited number of events, then there would be an annual loss to the Port of \$822,467. Cruise calls clearly generate more income to the Port than events or parking. To reiterate, it is in the Port’s interest to incentivize Metro to help bring in as many cruise calls as possible.

As noted above, event income will be variable. The key is to sustain the likely initial interest of Pier 27 as an event venue and potentially expand that opportunity by incorporating more area for events at Pier 27. Also, Pier 35 which has not been used widely as an event venue could engender new interest because of the greater available event dates as a result of being a back-up cruise terminal rather than as a primary cruise terminal. Additionally, some event firms/users prefer to use more raw space for an event as offered by Pier 35.

GTA parking will also be a key opportunity. If there are restrictions over its use, then the Port will face difficulty of ever achieving positive net revenue.

Besides generating revenue to the Cruise Terminal, the Port should consider ways to reduce its operating costs. Port maintenance costs and City traffic enforcement are relatively minor, but there may be procedures to reduce these costs. Debt service will remain fixed, but Port staff should, in the near term, re-assess the cost-benefit of dredging at Pier 35 in the future – since at some point CARB regulations regarding shoreline power compliance will come into effect that may reduce the overall functionality of Pier 35 as a cruise terminal.

Next Steps

Pending direction and input from the Port Commission, approval of the management agreement will be presented for Port Commission consideration as early as May 27, 2014. Port Commission approval will allow Metro to begin the transition from primary operations at Pier 35 to the new terminal at Pier 27. As noted above, Pier 27 will be a state-of-the-art facility with numerous components, such as the mobile gangway system, that will take time to optimize operational performance. In addition, such approval is critical for event operations. This will allow Metro to directly book events and start to implement their marketing program to attract and sustain event users.

As noted above, there still remains a challenge of how the Port will develop a strategic plan to enable the Port to have two cruise berths that would be compliant with CARB regulations.

Summary

Port Commission approval of the management agreement with Metro will be the final step in a long and arduous effort to deliver a new primary cruise terminal and event facility to the City. The management agreement represents a delicate balance of the Port's operational needs and budgetary requirements.

As noted above, Pier 27 construction will be completed by this summer and operational by this September. Working on a parallel path, Port staff has worked hard to complete negotiations with Metro to ensure that the James R. Herman Cruise Terminal will be operational for both cruise and other maritime vessels as well as for event and parking use.

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Planning & Development

Exhibit A: Pier 27 Site Map

Exhibit B: Pier 35 Site Map

Exhibit C: Pier 27 Public Access Map

Exhibit D: Local Business Participation Plan

Exhibit E: Cruise, Special Event and Parking Revenues from Piers 27 and 35

METRO PREMISES MANAGEMENT AGREEMENT

EASTERN
PROVISIONING
AREA

FACILITY
OPERATIONS
BUILDING

CRUISE
TERMINAL
BUILDING

CRUISE
TERMINAL
POOL

GROUND
TRANSFORMATION
AREA

BELTLINE
BUILDING

PIER 29

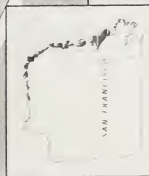


EXHIBIT A: PIER 27 SITE MAP

PORT OF SAN FRANCISCO



6:100-NORTHEAST WATERBONT PROJECT/PIER 27 CRUISE TERMINAL/POSP_PIER27_P1RM1SFORMGMT.MXD



METRO PREMISES MANAGEMENT AGREEMENT

EASTERN
PROVISIONING
AREA

FACILITY
OPERATIONS
BUILDING

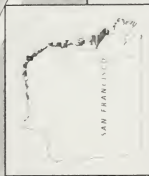
CRUISE
TERMINAL
BUILDING

CRUISE
TERMINAL
POOL

GROUND
TRANSPORTATION
AREA

BELTLINE
BUILDING

PIER 29



0 200 400
Feet

EXHIBIT A: PIER 27 SITE MAP

U:\30-NORTH EAST WATERFRONT PROJECTS\PIER 27 CRUISE TERMINAL\PIER_27_PREMISES\CONTRACT.MXD

PORT OF SAN FRANCISCO

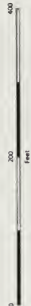


METRO PREMISES MANAGEMENT AGREEMENT

PIER 33

PIER 35

PIER
35-1/2

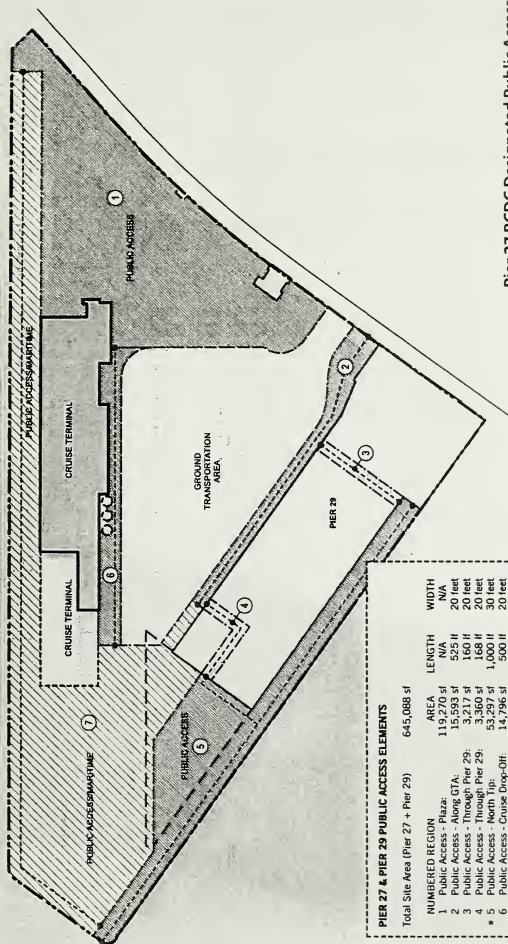


61541-NORTHWEST WATERFRONT PROJECTS/PIER 37 CRUISE TERMINAL/PIER 35, PIERS/PIER 35-1/2 AND

EXHIBIT B: PIER 35 SITE MAP



PORT OF SAN FRANCISCO



PIER 27 & PIER 29 PUBLIC ACCESS ELEMENTS

Total Site Area (Pier 27 + Pier 29) 645,088 sf

NUMBERED REGION	AREA	LENGTH	WIDTH
1 Public Access - Plaza	119,270 sf	N/A	N/A
2 Public Access - Along GTA	13,593 sf	525 ft	20 feet
3 Public Access - Through Pier 29	3,171 sf	160 ft	20 feet
4 Public Access - Through Pier 29	3,360 sf	165 ft	20 feet
5 Public Access - Through Pier 29	53,297 sf	1,000 ft	30 feet
6 Public Access - Cruise Drop-Off	14,796 sf	500 ft	20 feet
7 Public Access / Maritime	148,825 sf	1,500 ft	50 feet

NOTE: Up to 32,250 SF of Pier 29 shed space could be removed pending further BCDC review and approval.

Limited Public Access


Permanent Public Access

METRO CRUISE SERVICES

LOCAL BUSINESS PARTICIPATION PLAN

Presented to the San Francisco Port Commission

MAY 7, 2014



Prepared by Veronica Sanchez Consulting
a San Francisco Local Business Enterprise

Executive Summary

1. What does Metro plan to do?

- Implement **good faith outreach efforts** for soliciting local businesses (note: 14B City and County of San Francisco's LBE doesn't apply to lease agreements).
- **A fair procurement process.**
- Annual reporting to the Port of San Francisco's Division of Finance and Administration on award of LBE, DBE or firms certified by other public agencies.

2. What Contracts are Targeted for LBE Outreach? (See Exhibit 1, page 10)

- Veronica Sanchez Consulting (an LBE firm) completed an assessment of the goods and services Metro will procure by industry sectors. This list was used to analyze the availability of LBE firms on City's database and plan outreach strategies. SF Contract Monitoring Division provided input.
- **Cruise Terminal Operations:** suppliers of goods & equipment, janitorial, hospitality services for Metro hosted events, concession vendor for refreshments, valet parking, printing, and design services for interior signage.
- **Special Events:** Marketing design, website & social media services, suppliers of goods & equipment, janitorial, valet parking, printing.
- Metro will **set-aside most of these contracts for micro and small LBEs** to enhance opportunities for smaller firms, including women and minority owned businesses.
- **Special Events** – Hartmann, (Richmond based and not an LBE company) will assist with producing events (stages, lighting, audio/video tech, and rentals of equipment). They have their own internal staff and equipment. No LBE subcontracting opportunities identified.
- **Special Events** - Metro recently hired Special Events Manager Svenja Stroelha to coordinate and help customers plan events. Per industry customs, event planners will be given flexibility to use their own caterers, photographers and other vendors. No LBE contract outreach planned for these types of services for events not hosted by Metro. As discussed below, Metro proposes an alternative approach to promote small SF business through its **Buy San Francisco Directory**.
- **Construction and trades work** - Future maintenance and repair will be managed under umbrella contract with Facilities Managements Solutions (FMS), a subsidiary of Turner Construction, who will directly hire subcontractors to perform work. Metro will require FMS to use good faith outreach efforts to solicit proposals from LBE or DBE certified contractors. Metro will include FMS' LBE & DBE subcontractor utilization data in its annual report to the Port.

- **Parking Operator:** IMPARK, is not an LBE but Metro is considering using a DBE firm (African American owned) recommended by IMPARK who also has an airport concession contract to do valet parking. No other subcontracts needed in the parking operation.

3. **How will contracts be advertised?**

- Through **email announcements to CCSF Contract Monitoring Division's LBE database of targeted vendors** based on industry sectors needed. DBE or other small business firms certified firms will be allowed to respond to proposal requests but to maximize time and resources, Metro's outreach strategy will be focused on LBE firms. Contracts will also be announced via Metro Cruise Services and the Port of San Francisco's web pages.
- **Outreach Meeting** - Metro also plans on hosting a meeting with networking opportunity in June for targeted LBE vendors of industry sectors needed. Meeting will be planned with CMD and Port staff.

4. **"Buy San Francisco" Directory** - To promote SF small businesses, Metro proposes to produce a list of San Francisco businesses, **"Buy San Francisco"** for distribution by the Special Events Manager to event planners and customers who may not have established business relationships with vendors. Metro will solicit interest from the LBE list, ethnic chambers of commerce and other small business associations. In this outreach effort, Metro will use both the City's Contract Monitoring Division and San Francisco's Office of Small Business as resources. The Directory will be distributed by the Port to cruise lines as a resource for procuring local goods and services.
5. **Open House for Special Event Vendors** - In November 2014 after the official opening of the Pier 27 James R. Herman Cruise Terminal, Metro proposes to host an "Open House" for special events vendors to tour the facility. This will provide an opportunity to solicit interest by vendors in being listed in the **"Buy San Francisco Directory."** This event will have the dual purpose of promoting the venue among local businesses in the party and events industry.

Schedule for Implementation

Contracts	Dates for Advertising Contracts
Marketing, design services, internet & social media design and maintenance	June 2014
Janitorial Services	July 2014
Printing	July 2014
Suppliers of Goods & Equipment	July 2014

Introduction

The new Pier 27 James R. Herman Cruise Terminal was built with a substantial investment of the Port of San Francisco's revenues. Metro Cruise Services (Metro) understands the Port Commission's interest in having this investment generate economic opportunities for local businesses.

Metro is committed to partnering with the Port Commission in developing and implementing this proposed Local Business Participation plan that will enable local firms to benefit from the Port Commission's investment. Metro will avail itself of the resources and support provided by the City of San Francisco's Contract Monitoring Division.

As the operator of the Port's cruise facilities (Pier 27, Pier 35 and Piers 30-32), Metro Cruises will contract for vendors of services and equipment to perform the following tasks specified under the terminal agreement with the Port of San Francisco:

- 1. Cruise Terminal Management and Operations**
- 2. Manage Special Events**

San Francisco Administrative Code Chapter 14B Local Business Enterprise Ordinance (LBE) does not apply to leases, franchises or concessions like the proposed terminal agreement. However, in support of the Port Commission's economic objectives, Metro plans to implement:

- 1. Meaningful good faith outreach efforts for soliciting local businesses.**
- 2. A fair selection process.**
- 3. Annual reporting to the Port of San Francisco's Division of Finance and Administration regarding the number of contracts awarded to LBEs, DBEs or firms certified by other government agencies.**

As the first step, Metro retained the services of Veronica Sanchez Consulting, a certified Local Business Enterprise (LBE) firm, to analyze the needs of services to be procured by industry sectors. Our consultant worked with our internal staff and partners, Hartmann Studios and Impark, to produce this assessment. After developing the list of industry sectors, Ms. Sanchez reviewed the City's LBE database to assess availability of LBE firms that can perform these services. During

the process of this analysis, Ms. Sanchez has sought the input of the City's Contract Monitoring Division staff (CMD).

Outreach to Local Business Enterprise Firms

1. Advertisement and Announcements

Metro will prioritize its outreach efforts to the City of San Francisco's LBE database because it will enable the company to give maximum economic opportunities to firms **whose primary place of business is in the City and County of San Francisco.**

In the interest of time, Metro will target certified LBE firms on the City of San Francisco Contract Monitoring Division's (CMD) database as the primary source for **advertising and announcing contract opportunities.** Metro will also solicit CMD's input for other referrals and ideas on dissemination of information. The announcements will be done using electronic media and postings on Metro Cruise Services and the Port of San Francisco's web pages.

Based on its assessment, Metro anticipates using vendors from the following industry sectors:

- ❖ Goods Materials & Equipment Suppliers
- ❖ General Service Providers
- ❖ Professional Services Providers

A detailed summary of targeted contracts for LBE participation is provided in **Exhibit 1, page 10.** Metro will first seek proposals from micro and small LBEs for contracts identified for set-asides in this summary in the interest of promoting maximum opportunities for smaller businesses.

Firms with certification as Disadvantaged Business Enterprises (DBE) or SBEs as certified by the State of California's General Services Administration would be allowed to bid on contracts. However, in the interest of generating economic opportunities for San Francisco based businesses, Metro will give LBEs a preference, all other qualifications being equal.

2. Promotional Event

Metro will sponsor an informational meeting with a networking time afterwards to brief LBE firms on the Pier 27 project and the contract opportunities. Metro will plan this event with the Port of San Francisco and City's Contract Monitoring Division for LBE firms, ethnic chambers of commerce and small business association leaders. Pending final approval of the contract, the event would be held in late June.

Procurement Process

Metro will develop selection criteria for issuing request for proposals and a fair evaluation process for reviewing responses. The company will also document the results of the evaluation process and maintain records.

Annual Reporting

Metro will provide the City's Contract Monitoring Division and Port's Finance and Administration Division information on the number of LBE, DBE or other small firms hired, type of services performed and amount of contract dollars paid during that year.

Targeted Contracts for LBE Firms

1. Cruise Terminal Management & Operations

Metro will move into the Pier 27 facility constructed by the Port's contracted Turner Construction. Some of the terminal work is under warranty with Turner and the Port will perform other work under the terminal agreement. Unlike other public projects where construction trades work is the biggest generator of LBE opportunities, in this project, this work has already been done and gone through the City's contracting process.

Metro plans to contract with Facilities Management Solution (FMS), a subsidiary of Turner Construction, to manage facilities repair work not covered under warranty or the agreement with the Port of San Francisco. Thus, Metro does not plan on directly procuring contracts for repair or maintenance work. To enhance business opportunities for LBEs in the construction trades, Metro will require FMS to use good faith outreach efforts to solicit proposals from LBE or DBE certified

contractors. Metro will ask FMS to report information about the utilization of LBE/DBE subcontractors and will include this information in its annual report to the Port.

Metro has identified the following industry contracts for LBE outreach and participation:

- **Suppliers of goods and equipment:** telecommunications, computers, modular spaces, furniture, and vending machine for establishment of new facilities at Pier 27.
- **Janitorial Services** for the interior and exterior of Pier 27 terminal and pier perimeter. Metro plans to set aside this contract for micro and small business LBEs.
- **Valet Parking Operations** for passengers parking disembarking at Pier 27 and parking their vehicles at Pier 35. This contractor will be different from the subcontractor already selected by Metro to manage parking operations on non-cruise days. Metro is considering using a DBE firm (African American owned) recommended by IMPARK who also has an airport concession contract to do valet parking
- **Hospitality services (caterers)** to provide food and beverages services to passengers and visitors for special promotional cruise related events where Metro Cruise Services or Metro Shore Services is directly hosting the event.
- **Refreshment Concession** - Metro is interested in operating a small refreshments concession inside or outside the cruise terminal for the convenience of cruise passengers and guests using facility. Metro will consult with the City's Contract Monitoring Division, Small Business Administration, San Francisco Recreation & Parks and SFO on best practices for soliciting proposals from small San Francisco based businesses.
- **Printing of promotional materials, banners & signs.**

2. Promotion and Production of Special Events

Metro has partnered with Hartmann Studios, a full service event design and production company. Hartmann is located in nearby Richmond and not a certified LBE. The company has

an extensive collection of tables, chairs, tents, linens, scenic décor and staging fixtures and décor for events. Hartmann is an in-house production company providing electrical and lighting infrastructure and expertise in floor plans, staging and layouts. Hartmann employs more than 150 employees. Its combined workforce and extensive collection of equipment and supplies for special events limit the need for subcontracting opportunities.

- **Professional Services** - Marketing and design to promote facility as a special events venue for meeting planners and other targeted users. Website and social media design & maintenance services. Given the plentiful number of LBE firms in this industry sector, Metro plans to set aside these contracts for micro and small business LBEs.
- **Printing** - Production of materials to market Pier 27 as a special events venue.
- **Suppliers of Goods and Equipment** – Develop a standing list of LBE suppliers to provide items that cannot be provided by Hartmann Studios.
- **Valet Operations** – Transporting of special events guests, as needed by hosts.

Metro recognizes that San Francisco enjoys a multitude of diverse event planners, caterers, florists, videographers, sound companies, photographers, and other businesses supporting special events and parties. After consultation with Metro Shore Services and Hartmann, we recommend that event customers be given maximum flexibility in selecting firms that provide these services. This flexibility is important as Metro seeks to market Pier 27 as a new events venue in a competitive environment. Corporate clients tend to have established relationships with meeting/event planners with their preferred vendors.

Metro recently hired a Special Events Manager Svenja Stroelha to promote the facility, coordinate bookings and assist customers with successful production of events. This staff person will understand the logistics of planning an event at the facility and be in strategic position to promote local businesses.

“Buy San Francisco” Directory

As part of Metro's outreach efforts, Metro proposes to produce a list of San Francisco Businesses, “**Buy San Francisco**” that can be distributed to event planners and other event hosts who may not have established business relationships with vendors. To develop this list, we will solicit interest from the LBE list, ethnic chambers of commerce and other small business associations. In this outreach effort, we will use both the City's Contract Monitoring Division and San Francisco's Office of Small Business as resources. This directory will be distributed by the Port of San Francisco to cruise line customers as a resource for their purchase of local goods and services.

Open House for Special Event Vendors

In November 2014 after the opening of the Pier 27 James R. Herman Cruise Terminal, Metro proposes to host an “Open House” for special events vendors to tour the facility. This will assist us in compiling the directory of small businesses for customers interested in special events. This event will have the dual purpose of promoting the venue among local businesses in the party and events industry.

Schedule for Implementation

As noted above, Metro would also work with Port and City Contract Monitoring Division staff to invite LBE firms from targeted industry sectors to learn about the contract opportunities and process. Included in this event would also be suppliers and vendors for special events that could be listed in the “**Buy San Francisco**” directory that Metro will provide interested customers. Assuming final approval of Metro's terminal agreement, Metro proposes the following schedule for starting good faith outreach efforts and the selection of LBE contractors.

Contracts	Dates for Advertising Contracts
Marketing, design services, internet & social media design and maintenance	June 2014
Janitorial Services	July 2014
Printing	July 2014
Suppliers of Goods & Equipment	July 2014

- ❖ **Outreach Event for LBEs**
- ❖ **“Buy San Francisco” Event**

June 2014
November 2014

Targeted Contracts for Local Business Participation Plan (Exhibit 1)

<u>Metro Cruise Services</u>	<u>Metro Shore Services Hartmann Studios</u>
Cruise Terminal Management & Operations	Special Events
	Marketing, Design, website & social media services (micro & small LBE set-asides)
Suppliers of Goods & Equipment Office equipment including modular spaces, telecom equipment, computers equipment, vending machine (micro LBE set-aside)	Suppliers of Goods & Equipment Goods & equipment not available through Hartmann Studios (micro LBE set-aside)
Janitorial Interior & exterior spaces of of terminal & pier perimeter (micro & small LBE set-aside)	Janitorial Interior & exterior spaces of terminal and pier perimeter (micro & small LBE set-aside)
Hospitality Services Catering for special events, hosted by Metro Cruises (micro LBE set-aside)	
Concession Vendor Vendor of refreshments for passengers Inside or outside terminal (location to be determined)	
Valet Parking (DBE vendor identified)	Valet Parking (DBE vendor identified)
Printing Promotional materials, banners & signs (micro LBE set-aside)	Printing Promotional material, banners, and signs (Micro LBE set-aside)
Design Services for Signage (micro LBE set-aside)	

Exhibit E: Cruise, Special Event, and Parking Revenues from Piers 27 and 35

	Average
Revenue Per Event	\$ 45,905
Call Occupancy (Days)	2.00
Event Occupancy (Days)	2.25

Assumed Payments from Metro to Port

Number of Cruise Calls	Terminal Payment
0 to 86	\$ 180,000
87 to 91	\$ 120,000
92 to 96	\$ 60,000

Additional Payments to Port	% of Gross Revenues
Events	50%
Parking	60%

	Low Calls Low Events	Low Calls High Events	Base Case	High Calls Low Events	High Calls High Events	2013 (P35)
Calls	70	70	82	90	90	65
Passenger Wharfage (\$ per person)	18	18	18	18	18	12
% Diverted to P35	20%	20%	20%	20%	20%	0%
Special Event Occupancy Rate	40%	60%	50%	46%	68%	0%
Number of Events	45	67	52	45	67	0
Revenues						
Steveldoring	\$ 7,191,571	\$ 7,191,571	\$ 8,424,412	\$ 9,246,306	\$ 9,246,306	\$ 6,677,888
Events	2,064,682	3,097,024	2,384,994	2,074,067	3,066,013	-
Pier 27 Parking - Tourist	950,897	633,931	732,278	747,563	443,000	-
Pier 27 Parking - Special Events	67,630	101,445	78,122	67,938	100,430	-
Pier 35 Parking - Cruise	407,741	407,741	477,639	524,238	524,238	-
Parking (after tax)	1,426,268	1,143,117	1,288,039	1,339,738	1,067,668	-
Total Revenues	10,682,521	11,431,712	12,097,446	12,680,112	13,379,888	6,677,888
Expenses						
Steveldoring Variable Costs	4,433,436	4,433,436	5,193,453	5,700,132	5,700,132	4,116,762
Existing Fixed Costs*	1,280,821	1,280,821	1,280,821	1,280,821	1,280,821	1,280,821
New Steadies*	560,419	560,419	560,419	560,419	560,419	-
Maintenance*	491,000	491,000	491,000	491,000	491,000	122,750
Steveldoring	6,765,676	6,765,676	7,525,693	8,032,372	8,032,372	5,520,333
Events	584,923	877,385	675,667	587,582	868,599	-
Pier 27 Parking - Tourist	227,551	151,701	175,235	178,893	106,011	-
Pier 27 Parking - Special Events	16,184	24,276	18,695	16,258	24,033	-
Pier 35 Parking - Cruise	121,730	121,730	142,598	156,511	156,511	-
Parking	365,466	297,707	336,529	351,661	288,554	-
Total Expenses	7,716,065	7,940,768	8,537,889	8,971,615	9,187,525	5,520,333
Net Revenue						
Steveldoring	425,896	425,896	898,719	1,213,934	1,213,934	1,157,555
Events	1,479,759	2,219,639	1,709,327	1,486,485	2,197,413	-
Pier 27 Parking - Tourist	723,345	482,230	557,043	568,670	336,989	-
Pier 27 Parking - Special Events	51,446	77,169	59,428	51,680	76,397	-
Pier 35 Parking - Cruise	286,010	286,010	335,041	367,728	367,728	-
Parking	1,060,802	845,410	951,511	988,077	781,114	-
Total Net	2,968,457	3,490,944	3,559,556	3,688,497	4,192,461	1,157,555
Payments to Port						
Terminal Payment	180,000	180,000	180,000	120,000	120,000	180,000
Events	1,032,341	1,548,512	1,192,497	1,037,034	1,533,006	-
Pier 27 Parking - Tourist	570,538	380,359	439,367	448,538	265,800	-
Pier 27 Parking - Special Events	40,578	60,867	46,873	40,763	60,258	-
Pier 35 Parking - Cruise	244,644	244,644	286,583	314,543	314,543	-
Parking	855,761	685,870	772,824	803,843	640,601	-
Total Rent from Metro	2,068,102	2,414,382	2,145,321	1,960,877	2,293,607	180,000
Port Wharfage and Dockage	4,552,877	4,552,877	5,333,370	5,853,699	5,853,699	2,833,288
Total Port Income	6,620,978	6,987,259	7,478,690	7,814,575	8,147,306	3,013,288
Port Maintenance Cost*	(137,363)	(137,363)	(137,363)	(137,363)	(137,363)	(137,363)
Traffic Enforcement	(172,308)	(172,308)	(201,846)	(221,538)	(221,538)	(160,000)
Debt Service*	(4,200,000)	(4,200,000)	(4,200,000)	(4,200,000)	(4,200,000)	-
P27 Dredge*	(1,285,200)	(1,285,200)	(1,285,200)	(1,285,200)	(1,285,200)	(1,285,200)
P35 South Dredge*	(989,145)	(989,145)	(989,145)	(989,145)	(989,145)	(989,145)
P35 North Dredge*	(659,430)	(659,430)	(659,430)	(659,430)	(659,430)	(659,430)
Net to Port	\$ (822,467)	\$ (478,187)	\$ 5,708	\$ 321,899	\$ 654,629	\$ (217,850)



MEMORANDUM

May 9, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer
Executive Director

SUBJECT: Request approval of the Second Amendment to Exclusive Negotiation Agreement with Orton Development, Inc., a California corporation, to extend the term of the ENA until December 31, 2014, in connection with the rehabilitation and redevelopment of the six 20th Street Historic Buildings (located on or near 20th and Illinois Streets at Pier 70). (Resolution No. 14-32)

Request Adoption of California Environmental Quality Act Findings and a Mitigation Monitoring and Reporting Program and Approval of the (1) Lease Disposition and Development Agreement, and (2) Lease No. L-15814 for a term of 66 years, both with Orton Development, Inc. or its affiliate, Historic Pier 70, LLC, a California limited liability company, and (3) Schematic Drawings, all in connection with the lease, rehabilitation and redevelopment of the six 20th Street Historic Buildings (located on or near 20th and Illinois Streets at Pier 70). (Resolution No. 14-33)

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolutions

EXECUTIVE SUMMARY

This Memorandum covers the above items, which will be presented together at the May 13, 2014 Port Commission hearing. The Port Commission is requested to (1) adopt findings under the California Environmental Quality Act ("CEQA") and to adopt the Mitigation Monitoring and Reporting Program, and (2) approve Lease Disposition and

THIS PRINT COVERS CALENDAR ITEM NO. 12A

Development Agreement, Lease No. 15814, other transaction documents contemplated in such agreements (collectively, "**Transaction Documents**"), and the Schematic Drawings in connection with the lease of the six 20th Street Historic Buildings and the historic rehabilitation and redevelopment of same ("**Project**") by Orton Development, Inc. or its affiliate, Historic Pier 70, LLC, a California limited liability company ("**Developer**").

An Informational Presentation on the proposed project was provided during the Port Commission's last meeting on April 22, 2014 and accompanied by a Memorandum dated April 19, 2014. Material updates to the April 19, 2014 Memorandum are presented herein as underlined text.

The Project will return these cherished historic buildings to vibrancy. On October 9, 2012, the Port Commission endorsed the Term Sheet establishing the conceptual agreement between the parties of the terms of a transaction to realize the Project¹. Subsequently on December 4, 2012, the Board of Supervisors also endorsed the term sheet and conceptual Project plans.

The Project includes an aggregate of approximately 267,000 square feet spread throughout 6 existing buildings. The Project will add up to approximately 70,000 square feet of new space, primarily in the build out of new mezzanines. Once rehabilitated, these historic office and industrial buildings will be used for a range of businesses including light industrial, technology, life science, office, artisan/artist studios and showrooms, and restaurant uses. The Project will also create an indoor lobby/atrium in Building 113, and an outdoor plaza/venue, both of which would be made accessible to the public.

The Project's many public benefits include the re-use of the Site to support rehabilitation of Pier 70's unique and important historic resources. This has been a fundamental goal around which the Port has been able to build community consensus for the land use changes and development necessary to finance historic rehabilitation, public open space, infrastructure and other amenities. Developer has committed to rehabilitate the 20th Street Historic Buildings in accordance with the Secretary of the Interior's Standards for the Treatment of Historic Properties and adaptively reuse the buildings for office and light industrial uses. Additionally, Developer will provide access into and around these buildings for the public to experience the historic district.

BACKGROUND

Pier 70 History

The Pier 70 area is one of the most important intact maritime industrial complexes west of the Mississippi. It is the oldest continuously operating shipyard on the west coast. For over 150 years, some portion of the Pier 70 site has been in use for shipbuilding

¹ Background on Term Sheet as well as the land use planning, competitive solicitation, and ENA authorization prior to the Term Sheet with Developer, as discussed in Item 9C on the October 9, 2012 agenda: <http://www.sfport.com/index.aspx?page=2132>

and repair, steel production, and supporting heavy industrial uses. With the arrival of the Union Iron Works ("UIW") in the 1880s, the site became a major national and international shipbuilding center, launching, for example, the first steel-hulled ship built on the Pacific Rim. The shipyard at Pier 70, later acquired by the Bethlehem Steel Corporation, built both merchant ships and warships, and was a major supplier for the United States Navy during the Spanish-American War and both world wars. Its development was a key step in the spread of industrialization to the Pacific Coast. Ships built at Pier 70 served the United States military from the Spanish-American War in the late-1800s through the two World Wars and into the 1970s. Previous uses include: Main Office/Administration Building, Power House, UIW Headquarters, UIW Machine Shop, foundry, new foundry and mold room, and warehouse. In the 1980s, Bethlehem Steel sold the shipyard to the Port of San Francisco for one dollar. Since 2004, the Project Site has been largely vacant with the exception of a few minor interim uses.

Pier 70 Planning

In April 2010, the Port published its Preferred Master Plan ("Master Plan") for the approximately 65-acre Pier 70 area after an extensive community planning and technical feasibility analysis effort. The Pier 70 Master Plan provides a vision balancing sustained ship repair, historic preservation, new waterfront parks, and new development. On May 11, 2010, the Port Commission authorized two efforts to attract development partners for Pier 70 (Resolution 10-27).²

As described in more detail below, Developer's Project adheres to the Master Plan vision by rehabilitating six historic structures, preserving the important industrial and maritime contributions of this site and honoring the skilled labor that helped build a city and nation. The Project will support 650 construction jobs and 400 to 600 permanent, on-site jobs while creating new public access showcasing the Port's rich maritime history in a renovated and rejuvenated industrial environment.

Historic District and Plan Implementation

The Port's effort to create a historic district at Pier 70 is in part intended to assist its development partners, including Developer, by availing access to the Federal Rehabilitation Tax Credit Program to provide an important financing tool for rehabilitation of Pier 70's historic buildings. This builds on the Port's successes in the northern waterfront with the creation of the Embarcadero Historic District and rehabilitation of a number of historic pier facilities, including the Ferry Building, Pier 1, Piers 1½, 3 & 5 and the Exploratorium at Pier 15. The Union Iron Works Historic District (which includes all of the Project Site) has been officially listed in the National Register of Historic Places in April of this year.

Developer Solicitation Process

In this context, on October 4, 2011, the Port issued a RFP for the 20th Street Historic Buildings to ten pre-selected parties. Four parties responded to the RFP as presented to the Port Commission on January 20, 2012.³ On February 28, 2012, the Port

² Item 10B on this agenda: <http://www.sfport.com/index.aspx?page=1412>

³ Item 9B on this agenda: <http://www.sfport.com/index.aspx?page=1983>

Commission awarded the opportunity to Developer ⁴ and directed staff to negotiate an Exclusive Negotiating Agreement ("ENA") for the Project. On April 24, 2012, the Port Commission approved the ENA terms⁵.

These buildings are in poor condition at the present with two red-tagged and none currently leased. Given the conditions of these buildings the RFP did not set a minimum rent or any other minimum financial requirements. In fact, it acknowledged the urgency and import of saving these buildings and that public funding sources could be required for this effort.

On July 10, 2012, Developer presented its project concept to the Port Commission⁶ and received supportive feedback on its approach to this site. The uses proposed – light industrial, education, recreation, office, and commercial – are, with the addition of potential education and recreation components, the same as the proposal that the Port Commission considered when selecting Developer.

PROJECT DESCRIPTION

The purpose of this Project is to rehabilitate the 20th street Historic Buildings, identified as the Historic Core in Exhibit A attached to this Memorandum (the "**Project Site**") and make them once again a vibrant, integral part of the surrounding community. Developer will return the buildings to profitable use while maintaining their historic fabric. The proposed work includes repair and maintenance, seismic and structural upgrades, security measures to combat an atmosphere of neglect and criminal opportunity, and abatement of hazardous environmental conditions.

The Project Site is located along northern and southern portions of 20th Street between Illinois Street in San Francisco's Central Waterfront. The Project Site spans several parcels and currently contains eight buildings and four small associated structures. These twelve buildings on the Project Site range in size from approximately 535 square feet to 93,330 sq. ft.

The previous uses, current uses and occupancy of the 6 buildings included in the Project vary. The current uses and building sizes include the following, but generally include approximately 267,000 gross square feet (GSF) of vacant PDR space.

Table 1 - North of 20th Street

Location	Year Built	Existing Use	Existing Sq. Ft.	Proposed Use	Proposed Sq. Ft.
Building 101-Bethlehem Steel Office Building	1917	Vacant–formerly office use and one	475 (residential) and 56,925 (office) =	New residential unit New office	58,300 sq. ft. total

4 Item 10 C on this agenda: <http://www.sfport.com/index.aspx?page=2003>

5 Item 9B on this agenda: <http://www.sfport.com/index.aspx?page=2063>

6 Item 9B on this agenda: <http://www.sfport.com/index.aspx?page=2088>

		residential unit	57,400 sq. ft. total	use	
Building 102 – Power House	1912	PDR ¹	11,265 sq. ft.	New restaurant or New other commercial	16,405 sq. ft.
Building 104 – UIW Headquarters	1896	Vacant– formerly PDR use	43,000 sq. ft.	New medical and office	44,590 sq. ft.
TOTAL			111,665 sq. ft.		119,295 sq. ft.

South of 20th Street

Location	Year Built	Existing Use	Existing Sq. Ft.	Proposed Use	Proposed Sq. Ft.
Building 14	1941	Storage – formerly warehouse	16,315 sq. ft.	PDR/"New American Workplace" ²	22,780 sq. ft.
Building 113/114- Union Iron Works Machine Shop	1885/ 1886	Vacant, formerly PDR use	93,300 sq. ft.	PDR/"New American Workplace"	126,580 sq. ft.
Building 115/116	1916/ 1917	Storage – formerly warehouse	37,550 sq. ft.	PDR/"New American Workplace"	48,815 sq. ft.
Plaza	N/A	Courtyard	45,000 sq. ft.	Publically accessible open space, loading	45,000 sq. ft.
TOTAL			192,165 sq. ft.		243,175 sq. ft.

Notes:

1. PDR (**Production, Distribution and Repair**): Refers to a very wide variety of activities which have traditionally occurred in industrially zoned areas.
2. PDR/"New American Workplace": Expands on PDR to include additional industrial uses such as food, technology, life science, biotech, education and arts production centers, similar to the high quality "maker" type businesses currently existing in the adjacent Dogpatch neighborhood, with ancillary office, showroom, and retail. Such flexible hybrid-use space consolidates all business activities (design, prototyping, manufacturing, wholesaling, office, and sales/retail) under one roof.

In general, the proposed Project will rehabilitate the 20th Street Historic Buildings to satisfy seismic, structural, and code requirements, implement security measures to combat an atmosphere of neglect and criminal opportunity, and abate hazardous

environmental conditions. The Project will meet the Secretary of the Interior Standards for Treatment of Historic Buildings (the “**Secretary’s Standards**”) and other codes, and all other applicable requirements. The proposed Project could add up to approximately 70,000 GSF of new space, primarily in interior mezzanines for a total of 318,780 GSF onsite.

Once rehabilitated, these historic office and industrial buildings will be subleased to a range of businesses, including light industrial, technology, life science, office, artisan/artist studios and showrooms, and restaurant uses (see table 2 below). Developer has aggressively marketed the Project to a diverse group of prospective tenants. In addition, Developer has had continued discussions with manufacturers including members of SF Made, with a goal of incorporating variously sized, local manufacturing uses on portions of the site.

The proposed Project will also create an indoor lobby/atrium in Building 113, and an outdoor plaza/venue (“**Plaza**”), both of which will be made accessible to the public. The Plaza will be a multi-use space available for public plaza uses, loading, tenant yard uses (including loading docks, cooling towers and other outdoor equipment) and special events. Finally, the proposed Project will demolish approximately 1,500 GSF of existing structures, including two small structures known as Buildings 23 and 24 appended to the eastern side of Building 113.

Table 2 – Building Rehabilitation Plans

Building 113/114





The Union Iron Works Machine Shop consists of two masonry buildings built from 1885-1888, later joined by a concrete connector in 1914. The brick sections of Building 113 will be split into two wings and be used as light industrial/flex space with ancillary office, showroom, and retail uses, while the historic foundry (Building 114) will remain a separate space for light manufacturing with ancillary office and retail. The center connector building will become a publically accessible lobby and walkway to an exterior Plaza.



Buildings 115/116

The Union Iron Works Foundry & Warehouse was constructed in 1916/1917 and comprises a three-bay reinforced concrete structure. The spaces will return to industrial use as light manufacturing with ancillary retail and office.



<p>Building 101</p> <p>Building 101, the 61,311 square foot former Bethlehem Steel Office building, will return to office use on the top four floors. The historic commissary on the park level floor is expected to return to industrial food production use or ancillary office uses.</p>	
<p>Building 102</p> <p>Building 102, the 11,266 square foot former Compressor House, currently houses BAE Ship Repair's electrical distribution. The Port has the responsibility to remove the electrical facilities, following that Developer will redevelop the building as a restaurant.</p>	
<p>Building 104</p> <p>The 45,237 square foot former Union Ironworks office building was built in 1896 and will return to single tenant office or medical office use.</p>	
<p>Building 14</p> <p>Building 14 is a 16,315 square foot double-gable metal warehouse constructed in 1944. The space will return to industrial use as a warehouse with ancillary office space.</p>	

CEQA

California Environmental Quality Act ("CEQA") Guidelines Section 15183 provides an exemption from environmental review for projects that are consistent with the development density established by existing zoning, community plan or general plan policies for which an environmental impact report ("EIR") was certified, except as might be necessary to examine whether there are project-specific effects which are peculiar to the proposed project or its site. Section 15183 specifies that examination of such a project's environmental effects shall be limited to those effects that: a) are peculiar to the project or parcel on which the project would be located; b) were not analyzed as significant effects in a prior EIR on the zoning action, general plan or community plan with which the project is consistent; c) are potentially significant off-site and cumulative impacts which were not discussed in the underlying EIR; or d) are previously identified in the EIR, but which are determined to have a more severe adverse impact than that discussed in the underlying EIR. Section 15183(c) specifies that if an impact is not peculiar to the parcel or to the proposed project, then an EIR need not be prepared for the project solely on the basis of that impact.

The proposed Project is within the Eastern Neighborhoods Community Plan Area, for which the San Francisco Planning Commission certified the *Eastern Neighborhoods*

Rezoning and Area Plans Final EIR ("EN FEIR") (Planning Department Case No. 2004.0160E and State Clearinghouse No. 2005032048). Thus, the Planning Department reviewed the proposed Project to determine if a community plan exemption under CEQA Guidelines Section 15183 would be appropriate and determined that the EN FEIR incorporated and adequately addressed all potential impacts of the proposed Project. The Planning Department determined that the proposed Project would not have any additional or significant adverse effects that were not examined in the EN FEIR, nor has any new or additional information come to light that will alter the conclusions of the EN FEIR. Thus, the proposed Project will not have any new effects on the environment that were not previously identified, nor will any environmental impacts be substantially greater than described in the EN FEIR. No mitigation measures previously found infeasible have been determined to be feasible, nor have any new mitigation measures or alternatives been identified but rejected by Developer. Therefore the Project is exempt from further environmental review under CEQA.

Thus, the San Francisco Planning Department prepared a Community Plan Exemption ("CPE") for the proposed Project, which was approved on May 7, 2014. A copy of the approved CPE is on file with the Port Commission Secretary and is also available online at http://sfmea.sfplanning.org/2013.1168E_CPE.pdf. All applicable mitigation measures from the EN FEIR have been incorporated into the proposed Project or will be required as conditions of approval through the Port Commission's adoption of the Mitigation Monitoring and Reporting Program ("MMRP") attached as part of Exhibit B.

MITIGATION MONITORING AND REPORTING PROGRAM (MMRP)

The CPE identifies certain mitigation measures identified in the FEIR to avoid potential significant negative effects. The Port will be responsible for implementing and in certain instances monitoring the following measures which are fully described in the MMRP attached as Exhibit B to this Memorandum:

- Traffic Signal Installation
- Interior Noise Levels
- Siting of Noise-Generating Uses
- Hazardous Building Materials
- Develop Additional Pedestrian and Roadway Treatments
- Designate Safe, Accessible, and Convenient Bicycle Parking
- Designate Loading Dock Manager
- Require Traffic Controllers/Flaggers for Larger Deliveries
- Limit Peak Hour Truck Movements
- Develop Construction Management Plan
- Adopt Transportation Management Plan

PUBLIC TRUST ANALYSIS

In 2011, California's Legislature passed Assembly Bill 418, introduced by Assembly

member Tom Ammiano and signed into law by Governor Brown. This bill authorized several changes at Pier 70 including allowing non-trust uses of historic buildings if necessary to finance rehabilitation of the buildings consistent with the Secretary Standards. This authorization was subject to findings from the State Lands Commission ("State Lands") Executive Officer that the reuse and rehabilitation included ample public access to these buildings and a finding that rehabilitation of the building is not economically feasible solely based on trust uses.

All the historic buildings related to the Project are used for Port storage needs or are currently vacant, shuttered and not suitable for occupancy in their current state. Some of the historic buildings are in such disrepair that immediate seismic and structural reinforcement are needed. The Port sought a third party analysis regarding the feasibility of reuse based solely on trust uses. This analysis found that a reuse program reliant upon trust uses is not economically viable. These historic buildings are not built for nor are conducive to current maritime or public trust uses. Almost all maritime industrial uses in San Francisco Bay require close access to the waterfront (such as a berthing facility to load/unload materials/ equipment). There is limited demand for maritime tenants and those tenants have limited needs for these industrial shed/warehouse facilities due to condition and location. Historic buildings at Pier 70, particularly the Union Ironworks buildings, are much larger than will be needed by most maritime tenants.

Port staff has sought feedback regarding the proposed public access from State Lands staff. Based on their initial review of the Access Map, State Lands staff is comfortable with the level of public access allowing the public to experience the interior and exterior of the historic Buildings on 20th Street in conjunction with the Plaza including public access connecting Louisiana Street to the Plaza. State Lands staff supports this public access plan with requirements to:

- Include interpretive signage that help educate the public about the historic buildings and their contribution to the maritime history of Pier 70
- Include signage that alerts the public to the interior public access
- Expand the interior public access space, if feasible
- Additional lobbies built in the office buildings (Buildings 101 and 104), if any, should include glass walls or large windows to help expand access to views of the interior of the historic structures, based on tenanting and feasibility

Based on third party analysis and feedback from State Lands staff, rehabilitation of the buildings consistent with the Secretary Standards is not feasible with only public trust uses. Additionally, State Lands staff has noted that the Project includes ample public access to these buildings.

SUMMARY OF FINANCIAL/BUSINESS TERMS

The financial terms of Transaction Documents obligates Developer to rehabilitate and operate the Project buildings, including securing needed investment, in exchange for a 66-year lease and a \$1.5 million capital contribution from the Port. Up to an additional \$250,000 may be contributed from a State grant secured by the Port. Revenues from the Project will first fund operating costs, then debt service and, until Developer's equity

is recovered, Developer will receive a 14% return (on a simple interest basis) on its investment. Developer and the Port will share equally in net cash flow on a 50/50 basis after Developer's equity and return and Port's \$1.5 million and return are repaid. Regardless of the schedule of Developer equity repayment, an annual minimum rent of \$240,000 will commence no later than 20 years after commencement of the Lease. This structure achieves the Port's long-envisioned goal of rehabilitating these buildings as soon as possible and provision of new workplaces for up to 600 jobs.

The Port Commission endorsed the Term Sheet with Developer in October 2012. A summary of key financial terms that remain primarily unchanged include:

- Developer will rehabilitate the buildings to meet the Secretary's Standards. Given the age and dilapidation of the structures, this involves extensive repair and replacement of building systems, structural upgrades, and life safety improvements. Developer is also providing public access in the Plaza and atrium of Building 113.
- The Port will redeploy the \$1.5 million of capital funding budgeted in FY2011/12 for interim shoring of the Union Ironworks Machine Shop (Building 113) as a contribution to the full seismic retrofit for this structure. (A grant secured in 2013 increases the Port's contribution to \$1.75 million.)
- Developer will invest up to \$14 million of equity in the Project and secure Project debt and historic tax credit investors for the remaining funds.
- Net revenue from the Project after debt service will
 - first pay Developer a 14% return (on a simple interest basis)
 - then repay Developer's equity
 - then repay Port's equity and associated return
 - and finally be split equally with the Port ("**Participation Rent**").
- Port will participate in equal participation through equal sharing of any refinancing proceeds and in 10% participation in the net proceeds from a sale or assignment of the Lease.
- Port will receive anticipated annual minimum rent in Year 20 of \$240,000, even if Developer has not yet recovered its equity investment.
- Parking for the Project will be provided as part of an area parking strategy on sites to be determined and the Port, not Developer, will receive parking income from off-premises parking.
- The Port is responsible for the costs of relocating the electrical systems now in Building 102 that serve the shipyard. Such costs are estimated at between \$3 and \$5 million depending on the relocation site and other engineering variables.

In the 18 months since endorsement of the Term sheet, staff and Developer have continued to negotiate transaction terms. A summary of financial terms that reflect new concepts developed or fill in areas unaddressed by the Term Sheet include:

- In February 2013, the ENA was amended to defer payment of Port's transaction

costs in excess of \$80,000 until Project revenues can support repayment on par with payments to Developer, which obligations are further refined in the Lease. Deferring Developer's reimbursement obligation reduces the Project front-end costs and lowers the required equity investment that would accrue at a 14% return.

- As a protection from unknown Project elements that could not have been discovered through reasonable due diligence, provisions have been included to remove buildings from the Project and/or defer the minimum rent if unforeseen conditions are discovered. Unforeseen conditions must meet a threshold of \$1 million.
- Port is responsible for upgrades of adjacent streets and sidewalks ("**Public Realm**") to accommodate the Project. Port will use infrastructure financing district funds, if available, to fund this Public Realm work. Developer can undertake Port Public Realm construction efforts, as a mutual option, and be repaid first from a credit against deferred transaction costs and second over time from the Port's Participation Rent.
- Additional costs for tenant build-outs over and above "cold shell" will be funded: 1) through a side agreement between Developer and subtenant (thus reducing the sublease rent), or 2) amortized over the sublease term at Developer's cost of funds.
- After repayment of Developer Equity, the Port will receive repayment of its \$1.5 million contribution over 10 years in equal installments that includes a return on Port's capital equivalent to the Port revenue bond interest rate as of May 2014 (not to exceed 7%). Developer has the right to pre-pay outstanding Port Equity and return. Minimum rent will be delayed if Port Equity is outstanding.
- If the Port Participation Rent exceeds the amounts forecast in the Port approved proforma and attached to the Lease, Developer receives an incentive payment of 20% of the excess above these projections. This bonus only applies after Developer's equity is repaid and is only in effect after a 2 year construction period for 20 years of the Lease.

PROJECTED SOURCES AND USE OF FUNDS

Based on further investigation and engineering analysis, Developer has refined the Project cost estimates and anticipates total Project cost of \$74 million (an increase from the prior \$58 million estimate). Hard construction costs have increased due to three factors:

- 1) addition of \$1.8 M of costs for the Plaza and site work,
- 2) additional building repair complexity after further due diligence and analysis, and
- 3) rising construction costs in the market.

Even with the increased costs, Developer anticipates that the combination of strong revenues and pre-leasing of a significant portion of the Project will allow them to secure favorable debt terms, allowing the Project to remain feasible despite the higher costs.

Table 3 below shows the sources and uses of funds for the Developer Project. Notable additions consist of (i) participation in the City's Seismic Safety Loan Program, discussed below as a source, and (ii) the greater Port contribution of \$1.75 million, reflecting State grant proceeds of \$250,000. At this time, Developer is arranging its bank and other financing so the table combines debt and equity until debt terms are refined.

Table 3 - Sources and Uses

Sources	\$ Millions
<u>Port Capital Funds+\$250,000</u>	
<u>grant</u>	<u>1.75</u>
Seismic Safety Loan	20.2
Historic Tax Credit Equity	14.9
Private Debt & Equity	37.8
Total Sources	\$74.65

Uses	
<u>Hard Costs</u>	
Building 101	10.3
Building 102	2.5
Building 104	7.7
Building 113	20.0
Building 114	4.2
Building 115	2.4
Building 116	4.7
Building 14	2.3
Site/Plaza	1.9
Total Hard Costs	56.0
Soft Costs	11.5
Financing Costs	6.2
Deferred Port Transaction Costs	0.8
Total Uses	\$74.5

Notes:

Source Developer cost estimate and pro-forma. Values continually being refined.

Port funds include a State Grant of \$250,000

Construction costs do not include tenant specific improvements.

Seismic Safety Loan Program

In recognition of the economic benefits of lower cost financing, Developer is applying for a loan from the City's Unreinforced Masonry Building (URM) Seismic Safety Loan Program (SSLP), which is administered through the Mayor's Office of Housing and

Community Development ("MOHCD").

The interest rate on the Seismic Loan, currently assumed at 7.5% for pro forma purposes, is much lower than the 14% return on Developer equity specified in the Term Sheet. The Seismic Loan proceeds will be used to fund the majority of the seismic upgrade costs for Buildings 113/114 and 104, the former Union Ironworks Machine Shop and office building respectively. Those costs are currently estimated at \$26 million.

The SSLP was established through a 1992 voter approved general obligation ("G.O.") bond measure to provide loans to private owners of unreinforced masonry buildings. To provide funds for borrowers, the City issues G.O. bonds. The loan is to be used for seismic strengthening costs plus a 25% allowance for disabled access/life safety improvements. Eligible soft costs include legal, title/escrow, permit fees, architecture/engineering, and environmental site investigations. Seismic Loans for non-residential buildings, including these Pier 70 buildings, fall under the program's Market Rate Loan program. The following are some of the key criteria for Market Rate Loan underwriting:

Table 4. Seismic Loan Market Rate Term Summary

Loan Term	20 years fully amortizing
Interest Rate	City's cost of funds + 1%
Loan to Value	90% to 95% LTV
Debt Service Coverage Ratio	1.05x to 1.10x

Developer is requesting authorization for a total Seismic Loan up to approximately \$26 million which is the maximum based on eligible development costs. However, Developer's pro forma currently assumes a Seismic Loan amount of approximately \$20 million based on the loan to value and debt service coverage requirements of the program.

The Seismic Loan committee typically provides a conditional loan commitment subject to the borrower satisfying key Project milestones such as submitting the final appraisal, securing building permits for the construction work, having firm commitments from all sources of Project financing and obtaining signed leases from major building tenants. Final approval of the loan and the actual amount of the loan will therefore be determined subsequent to the loan committee's initial, conditional approval at such time as Developer has satisfied the loan conditions and construction is ready to begin. This is expected to occur in August 2014. Specifically, the Project still has several key milestones to achieve before the Project is ready to begin construction:

- An appraisal that supports the underwriting criteria specified for Seismic Loans;
- Financing commitments equal to or exceeding the total development cost of the Project;

- The construction loan and Seismic Loan have closed or will close simultaneously with close of escrow and delivery of the Lease;
- All required insurance is in place;
- Building permits are ready to be issued;
- A performance bond or completion guaranty is in place;
- A guaranteed maximum price construction contract is in place for the proposed rehabilitation of the Project;
- A minimum level of preleasing of the buildings has been secured.

The current estimated interest rate is 7.5% assuming a taxable G.O. bond issue at 6.5%. The use of this loan will result in payments to the City greater than the costs to repay the bonds, avoiding any impact on the General Fund. The loan will be secured by Developer's leasehold interest with the Port, but subordinate to any senior lender. The Seismic Loan will provide a critical portion of the Project's total funding requirement since this loan can provide construction financing for the seismic components, replacing costly developer equity.

Before MOHCD can enter into a loan agreement with Developer, and in advance of the City selling new G.O. bonds, the following actions will need to occur:

- 1) Seismic Loan committee review and consideration of the loan application to determine the application meets statutory underwriting requirements
- 2) Capital Planning Committee approval of the bond issuance
- 3) CEQA clearance of the Project
- 4) Port Commission and Board of Supervisors review and approval of the Lease
- 5) Board of Supervisors review and approval of the use of the SSLP and the required bond indebtedness
- 6) Developer meets all development agreement requirements and loan committee conditions, and enters into the Lease

INFRASTRUCTURE FINANCING DISTRICT

State law authorizes the establishment of a Port Infrastructure Financing District (IFD) to finance public improvement projects along the San Francisco waterfront. The Port IFD may finance the same types of improvement projects that are financed by non-Port IFDs (open space, parks, and street improvements), as well as projects specific to the Port, including removal of bay fill, storm water management facilities, shoreline restoration, and maritime facility improvements. Increased property tax revenues resulting from certain Port development projects (tax increment) may be redirected from the General Fund to the Port IFD in order to finance public improvements, subject to Board of Supervisors approval. In 2013, the Board of Supervisors approved a resolution of intention (1) to establish the Port IFD consisting of eight project areas; and (2) directing the Port Executive Director to prepare a financing plan, subject to Board of Supervisors' approval.

The Port intends to submit the IFD proposal for the proposed development of the 20th Street Historic Buildings to the Board of Supervisors for approval concurrent with the

LDDA and Lease in the coming months. To that end, Port staff, assisted by a team of consultants led by Keyser Marston Associates (“KMA”), is currently preparing an infrastructure financing plan (IFP), which will be the foundation of an IFD to be formed pursuant to State and local IFD legislation to fund a portion of public infrastructure improvements supporting the rehabilitation of the historic buildings at Pier 70 related to this lease. The IFP is expected to fund the following improvements with a combined estimated cost of approximately \$5 million:

- Upgrade traffic signal at 20th and Illinois Street
- Temporary pedestrian access along Georgia, Michigan and Louisiana Streets
- Repair of sidewalk along 20th and Illinois Streets
- Street lighting and ADA access ramps on each of the streets above
- Shoring and repair of Building 105 (to allow safe access to 20th Street south sidewalk to Louisiana Street)
- Replacement of the electrical equipment serving the BAE shipyard (currently in Building 102).

The Project is expected to generate an estimated \$450,000 annually in property taxes. Many of the improvements listed above need to be in place when the Project opens and before significant tax increment is generated. The Port and Developer may have to advance funds for these improvements and be repaid from IFD funds generated after the Project is opened.

TRANSACTION DOCUMENTS

Developer Entity Signing the Documents

The ENA contemplates that Developer may assign its rights under the ENA to an affiliate owned or controlled by Orton Development, Inc. or J.R. Orton, III. J.R. Orton, III is the President of Orton Development, Inc. Such assignment can take place without the Port's prior consent. Accordingly, the Transaction Documents may be entered into between Port and an affiliate of Orton. Orton is proposing that Historic Pier 70, LLC, an entity that is or will be newly formed by Orton, be the signatory to the Transaction Documents. Port staff will confirm prior to entering into any of the Transaction Documents with an entity other than Developer, that such entity is a Developer affiliate.

Legal Effect of the Documents

The Lease Disposition and Development Agreement will be signed by the Port following its approval by the Port Commission and following approval of the form of Lease No. 15814 (“**Lease**”) by the Port Commission and Board of Supervisors. The LDDA will go into effect immediately upon execution by the Port and Developer, but the Lease will not go into effect until certain conditions are met. Once these conditions have been satisfied, the Lease will be executed and delivered to both parties through an escrow. Some of the conditions are discussed below.

The Lease will become effective immediately upon delivery to Developer and expire 66 years after the commencement date. The LDDA will expire upon completion of

construction and recording of a Certificate of Completion. Until the recording of the Certificate of Completion, both the Lease and the Development Agreement will be in effect.

Lease Disposition and Development Agreement ("LDDA")

The purpose of the LDDA is to set forth the requirements for the rehabilitation and re-development of the Site, and the conditions for delivery of the Lease to the Developer. The Port will deliver the Lease to Developer if the conditions are satisfied. The LDDA provides Developer with the certainty it needs to invest further in the design, construction documents and approval process for the Project and to finalize the Project financing. The LDDA protects the Port because the Port is not obligated to deliver the Lease unless and until the conditions in the LDDA are satisfied or waived by Port. After Developer completes construction of the improvements described in the Scope of Development, the Port will issue a Certificate of Completion, which upon recordation will terminate the LDDA. Port Commission approval of the LDDA is required because it concerns a major development on Port property and sets forth requirements for delivering the Lease.

Development of the Site

Under the LDDA, Developer will have the following obligations for development of the Site:

1. Accept the Site in its "as is" condition, perform due diligence investigations, , comply with laws and regulations and obtain all regulatory approvals necessary to undertake the planned development;
2. Construct the improvements in conformance with the Scope of Development and Schematic Drawings and within the timeframes set forth in the Schedule of Performance. These documents will be attached as Exhibits to the LDDA. The improvements must comply with the Secretary's Standards;
3. Secure a Letter of Intent from a major bank for \$35- \$40 million construction finance loan secured by a personal guaranty from J.R. Orton, III, an individual, also known as Eddie Orton, the President of Orton Development, Inc., and subject to ongoing liquidity requirements of J.R. Orton, III;
4. Comply with the Mitigation Monitoring and Reporting Program;
5. Carry insurance and indemnify the Port;
6. Reimburse the Port for costs of staff time and legal fees incurred during the term of the LDDA and any outstanding costs incurred during the term of the ENA;
7. Furnish Port with "Record Documents" documenting all improvements after completion of the improvements;
8. If the LDDA terminates prior to close of escrow (for any reason other than a title defect, casualty or a termination caused by a Port event of default), Developer will be required to pay a termination fee of \$200,000 to the Port;

Conditions to Close of Escrow

The following conditions, among others, must be satisfied in order for escrow to close, at which time the Lease and Site will be delivered to Developer:

1. The Port Commission shall have approved the Transaction Documents, and the

Board of Supervisors shall have approved the Lease;

2. The Port shall have approved the development budget and evidence of adequate financing for the Project, including evidence of Developer's ability to meet debt service obligation(s) and evidence of a commitment letter from a lender, if applicable. The Port also must have approved Developer's statement of sources and uses of funds, which must be sufficient to demonstrate that Developer has or will have funds equal to or exceeding the total development cost of the improvements and that such funds have been spent for uses described in the development budget or are committed and available for that purpose;
3. The Port shall have approved Developer's guaranteed maximum price contract for construction of the improvements;
4. The Port shall have approved the Schematic Drawings, materials and color samples and Final Construction Documents and is ready to issue a building permit;
5. Developer shall have submitted evidence satisfactory to Port that the improvements are consistent with the Secretary's Standards;
6. Developer shall have obtained all regulatory approvals required to commence construction of the improvements. These approvals include a letter of determination from the Executive Officer of the State Lands Commission ("State Lands") that the restoration and preservation of any of the historic buildings within the Project where non-Public Trust uses are contemplated cannot be feasibly financed with available Public Trust uses, and that the non-Public Trust uses or Lease are part of an overall program that furthers Public Trust purposes.-
7. Developer shall have deposited exaction fees that are required to be paid prior to close of escrow; and
8. J.R. Orton, III shall have provided a personal guaranty to the Port guaranteeing the completion of core and shell improvements for each of the buildings within the leased premises.

Phasing

In lieu of Port leasing to Developer the entire historic core at close of escrow, Developer will initially lease buildings 113, 114, 115, and 116 (the "Initial Site"). The LDDA contemplates that the Initial Site will be expanded to include the other buildings within the historic core (each an "Expansion Site") within three years following Lease execution, with construction to follow soon thereafter. Developer may, however, remove one of the Expansion Sites if there is an unforeseen condition that would increase the cost by \$1 million or more to develop that specific Expansion Site.

Key Exhibits to the LDDA

The following exhibits to the LDDA highlight key enforceable instruments that delineate Developer's obligations to Port.

Scope of Development

The Scope of Development sets forth the improvements that are to be constructed on the Site by Developer.

Schedule of Performance

The Schedule of Performance sets forth the deadlines by which the parties are required to submit or approve documents prior to close of escrow and deadlines by which the parties are required to act during the construction phase of the Project. All deadlines are subject to force majeure.

Schematic Drawings

Schematic Drawings, consisting of site plans and elevations, will be attached to the LDDA. The full set of Schematic Drawings is on file with the Port Commission Secretary.

Development Budget

The Development Budget for the Project, showing a total development cost of \$75 million.

Lease ("Lease")

The Lease between the Port and Developer will be delivered through an escrow when the conditions of the LDDA are satisfied. Port Commission approval of the Lease is required because it concerns a major development on Port property and has a term of 66 years. Developer will be referred to in this section as "Tenant."

The following business terms have been negotiated between Port Staff and Tenant:

Term

66 years.

Commencement Date

The Lease commences when the Project closes escrow.

Termination Date

66 years from the Commencement Date.

Premises

Initial Site: Buildings 113, 114, 115 and 116 and the adjacent Plaza.

Expansion Site: As provided in the LDDA, the Premises may be expanded from time to time to include additional land and buildings within the historic core

The "Premises" means collectively the Initial Site and any Expansion Sites that are added to the Premises in accordance with the LDDA.

Uses

Tenant will use the Premises for the following uses and for no other use without the prior written approval of Port, not to be unreasonably withheld, which Permitted Uses may include:

Building 101: general office use, cafeteria, showroom, PDR, arts and arts production, research, development, design, restaurant, or industrial kitchen, and residential use of an existing penthouse residential unit located on the top floor, and related ancillary uses only.

Building 104: general office or medical office use showroom, PDR, arts and arts production, research, development, design, and related ancillary uses.

Building 102: restaurant or commercial uses, food production, industrial kitchen use, showroom and related ancillary uses.

Buildings 113, 114, 115, 116 and 14: Design, production (which may include any non-office uses that integrate multimedia, information technology, or software development functions;), light manufacturing, research, recreation, education, life science, warehousing, manufacturing, industrial kitchen and food production, and arts-related activities and related ancillary uses, including ancillary office, showroom, and retail.

Atriums and Plazas: Public and private events, food service, loading, and retail. Retail and other ancillary uses would be allowed in ancillary structures or shipping containers subject to review of the Port staff. The Lease rules and guidelines would allow up to 100 major event days annually with up to 25 event days with complete closure of the Plaza and 15 events days resulting in complete closure of the Atrium. The Port would need to review and consent to any additional events proposed by the Tenant. A portion of the building edge of the Plaza (one third of the frontage) would be allowed for use by subtenant yard activities subject to Port review and the provisions of the Lease.

A Project office for Tenant's use may be located within any one of the on the Premises.

Subleasing

Tenant will not Sublease any portion of the Premises without the prior written consent of Port, which consent will not be unreasonably withheld. However in the Lease the Port pre-approves a broad range of subleases so long as they are arm's length transactions and structured at market rental rate and comply with the provisions of the Lease. In addition to pre-approved subleases, Port retains sublease approval rights for subleases of greater than 100,000 square feet in the aggregate to a single user or Subtenant and its affiliates. The Port also retains sublease approval rights of initial Subleases to be executed for all or substantially all of the east and west wings of Building 113.

Signs

Tenant does not have the right to place, construct or maintain any Sign on the exterior of any Buildings within the Premises without Port's prior written consent.

Required Public Access Areas

Tenant must maintain throughout the Term, dedicated public access areas within the Premises, including areas within the Buildings where non-Public Trust uses are contemplated in compliance with the California State Lands Commission's Executive Officer's determination related to the Project, to permit the public to view the interior and exterior historic architectural amenities, the Historic Fabric, and other amenities to educate the public about such Historic Building and its contribution to maritime history.

Minimum Rent

An annual minimum rent of \$240,000 will commence no later than 20 years after commencement of the Lease.

Adjustments to Minimum Rent:

5-Year Adjustment to Minimum Rent: On each Adjustment Date, the Minimum Rent payable under this Lease will be adjusted to equal the greater of (i) the Minimum Rent in effect immediately prior to such Adjustment Date, or (ii) one hundred percent (100%) of the amount determined by multiplying the Minimum Rent in effect immediately prior to such Adjustment Date by a fraction, the numerator of which is the Current Index and the denominator of which is the Prior Index.

Periodic 10-Year Adjustment to Minimum Rent:

On each Periodic 10-Year Adjustment Date, the Minimum Rent payable under this Lease will be adjusted to equal the higher of (i) the Minimum Rent then in effect, or (ii) the amount obtained by adding all of the Participation Rent due for the five (5) year period immediately prior to the applicable Periodic 10-Year Adjustment Date as further described in the Lease.

Application of Net Revenues Until Repayment in Full of Developer Equity and Return & Port Capital Contribution and Return.

One hundred percent (100%) of net revenues will be applied to pay off outstanding Developer Equity and return, any deferred Port transaction costs, and outstanding Port equity and return, until fully paid,

Participation Rent

From and after the Developer Equity Repayment Date and repayment in full of Port Capital Contribution and Port Capital Return and throughout the Term thereafter, subject to a cash flow bonus, Tenant will pay to Port participation rent on a monthly basis equal to (i) fifty percent (50%) of Net Revenues (ii) less the Minimum Rent due and payable for the applicable calendar quarter ("**Participation Rent**").

Cash Flow Bonus

If Tenant meets all of the following conditions, Tenant will be entitled to a Cash Flow Bonus from the Net Revenues generated from the Premises equivalent to 20% of the excess above pro forma projections until the calendar year that includes the 22nd Anniversary Date (the "**Potential Bonus Period**") subject to the following conditions:

(i) Tenant has complied with its agreement with the Contract Monitoring Division and CityBuild regarding the hiring of LBEs and local residents in connection with the development of the Project.

(ii) All outstanding Developer Equity and return has been fully repaid;

(iii) All outstanding Deferred Port Transaction Costs and any Transaction Costs due and payable to Port under the LDDA have been fully repaid;

(iv) All outstanding Port Capital and return has been fully repaid;

(v) Net Revenues exceed the Cash Flow Bonus Threshold; and

(vi) There is no uncured or outstanding Tenant Event of Default.

During the Potential Bonus Period, Tenant will include (i) in each Monthly Net Revenues Statement, Tenant's estimate of the amount of Cash Flow Bonus it will be entitled to at the end of the applicable calendar year, and (ii) in each Annual Net Revenues Statement, the actual amount of Cash Flow Bonus Tenant is entitled to for the applicable calendar year, accompanied by documentation to support its position. Subject to Port receiving the Annual Net Revenue Statement in accordance and in compliance with the Lease, Tenant will be entitled to a Cash Flow Bonus set forth in such Annual Net Revenue Statement. The Cash Flow Bonus will be deducted from Net Revenues immediately prior to calculating the Participation Rent due to Port at the end of each calendar year. In no event will the amount of Net Revenues or the Cash Flow Bonus Threshold used to calculate Cash Flow Bonus include any Transfer Proceeds.

Port's Participation in Transfer Proceeds

Tenant and all subsequent assignees will pay to Port ten percent (10%) of the Net Transfer Proceeds, if any, from a Transfer of the Lease that occurs during the Term.

Port Participation in Refinancing Proceeds

Tenant and all subsequent assignees will pay to Port fifty percent (50%) of the Net Refinancing Proceeds, if any, from close of escrow for each Refinancing that occurs during the Term.

Improvements & Subsequent Construction

Tenant is obligated to construct the improvements set forth in the Scope of Development and has the right to construct additional improvements throughout the term of the Lease. All improvements must comply with the Secretary's Standards.

Repairs and Maintenance

Throughout the Term, Tenant will maintain and repair the Premises and all Improvements thereon in substantially the condition the Improvements were completed pursuant to the terms and conditions of the LDDA, less reasonable wear and tear,

Management and Operating Covenants

Tenant is required to: (i) manage and operate the Premises at no cost to Port and to maintain the Premises consistent with a first-class light industrial/restaurant project located in San Francisco; (ii) keep the atrium open to the public during business hours; (iii) install and fly a Port flag on the all roofs; (iv) obtain Port's consent for exterior improvements; (v) obtain Port's consent for outdoor exhibits unless certain criteria defined in the Lease are met, in which case prior Port consent is not required; (vi) remove graffiti promptly from the Premises; (vii) abide by the Mitigation Monitoring and Reporting Program attached to the Lease; and (viii) comply with the Pier 70 Risk Management Plan attached to the Lease.

Subleasing of Premises and Reporting of Leasing Activity

Tenant will engage one or more leasing agents for the subleasing of the Premises in accordance with the Lease. Tenant will provide Port with monthly leasing activity reports at the Site.

Utilities

Tenant is responsible for providing all utilities to the Premises, including installation and connection, and for separating utilities from adjacent properties.

Insurance

Tenant will be required to carry a complete package of insurance on the Premises, which has been approved by the City's Risk Manager.

Damage or Destruction

In the event of a casualty, Tenant may not terminate the Lease or stop paying rent, and must restore the Premises, except in the following circumstances: if there is a "major casualty" (meaning the cost of damage exceeds 60% of the cost to replace) occurring in the last ten years of the term, or if there is an "uninsured casualty" (as defined in the Lease) occurring anytime during the term, then Tenant may elect either to restore the Premises or terminate the Lease.

Security Deposit

Tenant shall pay to Port a security deposit for the Premises in an amount equal to \$40,000 equivalent to the 2 months of the projected \$240,000 annual minimum rent at year 20 of the Lease.

Environmental Financial Performance Deposit

Tenant will deliver to Port an environmental financial performance deposit in an amount to be determined by Port as adequate for protecting the Port from the increased potential environmental liability arising out of Tenant's activities.

Environmental Oversight Deposit

Tenant will deliver to Port an environmental oversight deposit in cash, in an amount equaling Ten Thousand Dollars (\$10,000), as security for Port's recovery of costs of inspection, monitoring, enforcement, and administration of Tenant's performance of its obligations relating to hazardous materials.

Assignment

Tenant may not assign the Lease without the prior written consent of the Port (which consent may be withheld in Port's sole discretion prior to issuance of the Certificate of Completion and in Port's reasonable discretion after issuance of the Certificate of Completion) except to a permitted mortgagee, to an entity for the purpose of taking advantage of historic preservation tax credits or tax-exempt bonds, or to an entity affiliated with Tenant.

Indemnification and Waiver:

The Lease contains standard general indemnification and hazardous materials indemnification provisions.

Defaults and Remedies

If Tenant defaults under the Lease, Port has all rights available at law or in equity, including the right to keep the Lease in effect and collect rent and the right to terminate

the Lease. If the Port defaults under the Lease above, Tenant has the exclusive right to offset or deduct only from the Rent becoming due hereunder, the amount of all actual damages incurred by Tenant as a direct result of the Port Event of Default, but only after obtaining a final, unappealable judgment in a court of competent jurisdiction for such damages in accordance with applicable Law and the provisions of this Lease, or equitable relief.

Leasehold Mortgages

Tenant will be permitted to mortgage its leasehold interest (but not the fee) in the Premises, with Port's prior consent. A mortgage may be given only to an institutional lender or a lender approved by Port in its sole discretion.

City Requirements

Tenant is required to comply with all City policies and ordinances now in effect.

Other Transaction Documents

Port and Developer anticipate executing other documents including licenses for Port property adjacent to the Project, such documents being necessary to provide Developer with means of ingress and egress to the Project and for other purposes required by the Project.

Second Amendment to Exclusive Negotiation Agreement ("Amended ENA")

Port and Developer previously entered into an Exclusive Negotiation Agreement ("ENA") dated as of May 16, 2012 setting forth the terms and conditions under which Port and Developer would negotiate a Term Sheet, a LDDA, a Lease and other Transaction Documents required to implement the Project. The Port and Developer amended the ENA by the First Amendment dated as of March 20, 2013. The ENA term currently expires on June 20, 2014.

Port and Developer now seek a Second Amendment to extend the term of the ENA to provide adequate time to secure all required project approvals necessary to execute the LDDA. The term of the Amended ENA will be extended and shall expire upon the earlier of December 31, 2014, or the effectiveness of the LDDA, as further described in the ENA on file with the Port Commission Secretary.

LOCAL CONTRACTING AND HIRING COMMITMENTS

Developer is working with the City's CityBuild program and the Contract Monitoring Division to ensure that local disadvantaged businesses ("LBE") and local residents participate in this Project.

The Seismic Safety Loan Program requires 25% of total worker hours be completed by economically disadvantaged workers earning 50% or less of the local median income; this requirement will apply for the estimated \$20 million of Project costs funded through the loan. Developer has agreed to use local workers for 25% of total worker hours and a LBE participation goal of 17%.

The SSLP requires the Developer to seek at least one bid for the structural work from a Local Business Enterprise (LBE), certified as such by the Contract Monitoring Division.

However, while the loan program does not require a specific target for LBE participation in the Project, the Contract Management Division reviewed the types of construction work needed for this specialized Project and after review by CMD and Developer, the Developer has agreed to the aforementioned 17% goal for all Project work to be performed by LBEs.

The Lease will require Developer and its subtenants to participate in the City's First Source Hiring Program (San Francisco Administrative Code Sections 83.1 et seq.) which establishes specific requirements, procedures and monitoring for first source hiring of qualified economically disadvantaged individuals for entry-level positions.

COMMUNITY OUTREACH

Since being selected as the Port's development partner for the Project, Developer has met on numerous occasions with neighbors and stakeholders. Comments and observations generated through these outreach efforts have shaped and informed the Project plans.

On March 19, 2014, Developer provided a Project update to the Central Waterfront Advisory Group ("CWAG"). On April 16, 2014 Developer presented CWAG further details on prospective tenancing plans and parameters for the publically-accessible portions of the Project – the Plaza and atrium. The membership is very interested in the Project and on April 22, 2014, the CWAG submitted an email to the Port Commission supporting the Project, copy of which is attached as Exhibit C to this Memorandum.

On March 18, 2014, Developer met with San Francisco Architectural Heritage ("Heritage") to present the Project's approach to preserving the historic fabric of the site. On April 21, 2014, Heritage staff submitted a letter to the Port Commission offering its support for the Project, a copy of which is attached as Exhibit D to this Memorandum.

Developer has also met with the Dogpatch Neighborhood Association, the Potrero Boosters and the Heritage Preservation Commission. These groups and numerous individual members of the neighborhood have expressed enthusiastic and wide-spread support for the Project.

FISCAL ANALYSIS

Development Economics

Since being selected as the successful respondent to the RFP in 2012, Developer has been performing predevelopment due diligence with regard to the development economics of the Project. These activities have included: (1) working with their design and engineering team to develop an approach to the rehabilitation of the buildings, (2) working with Developer's general contractor, Nibbi Brothers, to refine the construction cost estimate, (3) estimating market rental rates and operating expenses, and (4) assembling the necessary financing. Developer has made significant progress in understanding the Project's economics and has prepared a development pro forma that contains their best estimates of Project economics as they stand today. The pro forma is designed to err on the conservative side; going forward Developer will continue to refine the cost and revenue projections based on further due diligence. Therefore, the

final development economics of the Project will likely deviate somewhat from those summarized in this Memorandum.

Development Costs

The Project's development costs can be broken down into the following main categories: (1) direct costs of construction, (2) indirect or soft costs, and (3) financing costs. In total, the Project is estimated to cost approximately \$74 million (as shown on Table 3 above) to complete or \$279 per square foot of gross building area.

The direct construction cost estimate is based on estimates from Developer's general contractor, Nibbi Brothers, ("Nibbi") and includes standard general contractor costs such as general conditions, contractor insurance, and contractor overhead/profit.

The rehabilitation of the Project buildings is required to be consistent with the Secretary of the Interior's standards for historic buildings. The construction costs are based on build out of the space to a cold shell condition (i.e. individual tenants will have to install additional improvements to suit their needs). Subsequent lease negotiations with individual tenants will ultimately determine what level of tenant improvements will be made. Developer has included in their pro forma a tenant allowance of roughly \$5 per square foot to be provided to tenants for specialized build-out of their space.

In the subsequent months leading up to the targeted summer construction start, the Project will go out to bid, after which there will be a guaranteed maximum price (GMP) construction contract. In addition, the LDDA will require that the Project have a performance and payment bond from Nibbi and a completion guaranty furnished by J.R. Orton, III in order to protect against the Project not being completed.

Operating Income

Operating income from the Project will be derived from leasing of the buildings to light industrial, office, retail and restaurant tenants. Based on their discussions with prospective tenants and on current market conditions for similar space, Developer is projecting total gross rental income from the Project at approximately \$5.97 million per year. This equates to almost \$25 per square foot of net leaseable area on average. Higher rents are projected for the office and restaurant space and lower rents to the light industrial space.

Sources of Funds

The following is a brief summary of the various sources of funds in the financing plan (in no particular order):

- *Port Contribution.* The Port is committing a \$1.5 million capital contribution for the Project and an additional \$250,000 in grant funds from the California Cultural Equity Endowment. In addition, the Port is deferring most of its transaction-related costs until they can be repaid from Project cash flow.
- *Developer Equity.* Developer is committing up to \$14 million in equity. However, it is advantageous for the financing plan to utilize lower cost financing when

available. The current financing plan includes approximately \$6 million in Developer equity during construction, which is repaid out of a combination of operating cash flow and permanent (take-out) financing.

- *Historic Tax Credits & Bridge Loan.* Because the buildings are listed on the National Historic Register, the Project can qualify for historic tax credits to fund a portion of the rehabilitation costs. Developer estimates that approximately \$13 million in historic tax credit equity can be raised. A bank bridge loan might be used as temporary construction financing until the tax credit equity is in place.
- *Bank Construction Loan.* A \$35 million bank construction loan will fund nearly half of the Project's costs. The bank will require a personal guaranty from J.R. Orton, III and certain pre-leasing requirements prior to funding of the loan.
- *Seismic Safety Loan Program (Seismic Loan).* This City sponsored financing source is described in detail in the following section of this report. Currently MOHCD's loan committee is underwriting a \$20 million loan. Developer may utilize this loan as construction financing (taking draws based on ongoing construction expenditures) but the pro forma presumes that the loan will remain in place for a total of eight years after which it will be repaid with permanent take-out financing.
- *Permanent Take-Out Financing.* Once the Project is complete and the operating income stabilized, Developer will take out the bank construction loan with permanent financing. Developer is proposing to utilize industrial revenue bonds for permanent take-out financing, which generally offers more favorable terms for long-term debt. As currently projected, there will be two tranches of permanent financing. The first tranche is estimated to be available immediately following construction completion (estimated in 2017) and will be used to repay the bank construction loan. The second tranche will be used to repay the Seismic Loan in 2021 (approximately eight years into the 20-year Seismic Loan term, in order to conform to the City's requirement that eight years pass before bond-backed debt is repaid). If the Seismic Loan is not prepaid prior to the 20-year term, the second tranche of permanent financing would not be required.

Projected Port Rent

Base Rent

The Lease requires minimum base rent of \$240,000 per year no later than 20 years after Lease execution (projected to be in 2034).

Participation Rent

The Port will also receive Participation Rent based on net Project income after Developer has been repaid its equity and has received a 14% simple return on its equity investment. Based on current projections, the Participation Rent will begin as early as 2022 and will far exceed the amount of the Base Rent. Based on the "base case" pro forma projection, Developer will provide an upfront approximate \$6 million equity investment into the Project which will be repaid by 2022 from net debt Project cash flow

and residual permanent financing proceeds. Once Developer's equity and return have been paid, and Port's Capital and return have been paid, the Project's net income is split 50/50 with the Port.

Based on the base case pro forma, Port Equity repayment and Participation Rent will commence in 2022. Port Equity and Return will amount to \$298,000 annually for ten years and Port's Participation Rent is estimated at \$115,000 in 2022, rising to \$930,000 in 2034. The net present value discounted at 6% of all Port revenue including Port Equity and Returns, and Base and Participation Rent is estimated at \$18.6 million for the 66 year term of the Lease.

Risk Analysis

A development project of the complexity of the Project has many challenges that could affect the financial outcomes to the Port. In recognition of the fact that the Project's ultimate development economics can vary from the pro forma, Developer has run sensitivity analyses to test the economic impacts of changes to certain pro forma assumptions. The three risk factors tested were: (A) delayed construction of Buildings 101, 102, and 104, (B) 15% higher rehabilitation costs, and (C) 15% lower rents. These sensitivity analyses are based on the March 2014 pro forma analysis and were reviewed by KMA.

- *Sensitivity A: Delayed Phasing.* As mentioned, the first phase of the Project must include Buildings 113, 114, 115, and 116 (the industrial buildings on the south side of 20th Street) but not buildings 101, 102, and 104 on the north side of 20th. Since the base case pro forma and underwriting is based on the whole Project being built in one phase, this scenario results in a delay in Project revenues. The results of this sensitivity are that the Port's rent would be delayed by eight years (to 2030) and total rent would be about 10% less than currently projected.
- *Sensitivity B: 15% Higher Cost.* This sensitivity tests the impacts of a 15% increase in capital costs, or a roughly \$10.8 million increase. Barring other sources of funds that might be identified, this change would require Developer to contribute about \$8.4 million more equity to complete the Project (the difference is made up mostly from higher tax credits, which are tied directly to costs). Since the Port's Participation Rent is calculated after Developer has achieved its equity return, in this scenario the Port's rent would be delayed by 12 years (2034) and total rent would be about 40% less than currently projected. Per the Term Sheet, the Port's Base Rent would begin no later than Year 20 of the Lease regardless of whether Developer has received its equity return.
- *Sensitivity C: 15% Lower Rents.* In this scenario gross rental income is assumed to be 15% lower than projected. The results of this scenario would be that the Port's rent would be delayed by 12 years (2034) and total rent would be about 60% less than currently projected.

DEVELOPER FINANCIAL CAPACITY

The Developer has secured a Letter of Intent from a major bank for \$35- \$40 million

construction finance loan secured by a personal guaranty from J.R. Orton, III and subject to ongoing liquidity requirements of J.R. Orton, III. As described above, MOHCD's loan committee is currently underwriting a \$20 million seismic safety loan. Between these capital sources, the Port's commitment of up to \$1.75 million and the Developer's commitment of up to \$14 million, the Developer has secured ample financing for the Project as summarized below:

Port Capital Funds+\$250,000 grant	\$1.75
Seismic Safety Loan	20.2
Historic Tax Credit Equity	14.9
Private Debt & Equity	37.8

KMA has undertaken a review of the latest annual financial statements provided for J.R. Orton, III and Orton Development, Inc. As of December 31, 2013, J.R. Orton, III had cash or cash equivalent assets sufficient to: (1) fund the \$14 million maximum equity contribution for the 20th Street Historic Buildings, and (2) satisfy the liquidity requirements of the proposed bank construction loan. Port staff conducted additional due diligence to assess the financial wherewithal of J.R. Orton, III and it has concluded the KMA analysis remains relevant to date.

The financial statements list liabilities representing a small percentage of total listed assets. Additionally there are some contingent liabilities in the form of J.R. Orton, III personal guarantees for several property loans in his property portfolio. These personal guarantees represent of small portion of the overall asset base analyzed. As discussed above, prior to the Close of Escrow, Developer will:

1. Have Port approve the development budget and confirm evidence of adequate financing for the Project, including evidence of Developer's ability to meet debt service obligation(s) and evidence of a commitment letter from a lender, if applicable;
2. Have Port approve its statement of sources and uses of funds, which must be sufficient to demonstrate that it has or will have funds equal to or exceeding the total development cost of the improvements and that such funds have been spent for uses described in the development budget or are committed and available for that purpose;
3. Have Port approve its guaranteed maximum price contract for construction of the improvements;
4. Have Port approve the Schematic Drawings, materials and color samples and Final Construction Documents and confirm Port is ready to issue a building permit;
5. Have deposited exaction fees that are required to be paid prior to close of escrow; and
6. J.R. Orton, III shall have provided a personal guaranty to the Port guaranteeing the completion of core and shell improvements for each of the buildings within the leased premises.

In summary, the Developer has demonstrated adequate capital sources for the Project and the financial capacity to deliver its commitments under the LDDA and Lease.

NEXT STEPS

If the Port Commission confirms the CEQA findings and approves the Transaction Documents, the following additional steps need to happen for final approval of the Project, including the Seismic Loan and IFD:

- 1) May 2014: Seismic Loan committee review and consideration of the loan application to determine the application meets statutory underwriting requirements;
- 2) May or June 2014: Capital Planning Committee approval of the IFD, Seismic Loan, and bond issuance;
- 3) June or July 2014: The Board's Budget and Finance Committee consideration of the Project including review of the Lease, IFD, Seismic Loan and the required bond indebtedness by the Budget Analyst;
- 4) July 2014 Board of Supervisors review and approval of the Lease, IFD, Seismic Loan and the required bond indebtedness; and
- 5) August 2014 If Developer meets all LDDA requirements and loan committee conditions, then Port and Developer enter into the Lease.

PROJECT BENEFITS

Rehabilitation of these historic structures and enabling of their reuse and public enjoyment is both the primary outcome of the project and the primary community benefit. The challenging nature of the Pier 70 project as a whole, with a particular focus on the historic resources, was well understood by the public and policymakers in November 2008 when 68 percent of voters supported Proposition D amending San Francisco's Charter to facilitate the Pier 70 project. As discussed above, Developer's project will include a public plaza and spaces to foster the community's enjoyment of Pier 70's heritage.

These buildings will provide 400-500 jobs when the project is complete and leased. Construction of the project, over a two year period, will employ an estimated 250 workers (full time equivalents). In both the construction of the project and in its long-run operation, Developer is committed to working closely with the City to employ San Franciscans and use local businesses to accomplish the following important goals:

1. Saving an extraordinary collection of historic buildings from potential collapse. The Port's Capital plan has approximately \$110 million of unfunded costs for these structures. Transferring responsibility for these buildings to Developer will reduce the Port's unfunded capital requirements and positively affect the Port's credit outlook.
2. Adding to the value of Port Property. This effort will create about \$50 - \$60 million of new assessed value that would provide up to \$40 million of future

tax increment that can be reinvested in Pier 70 through the infrastructure financing district.

3. Improving the Port's operating cash flow.
4. Reducing the Port's security costs and repair costs due to vandalism of these buildings.
5. Providing Port revenue, in the longer-term.

CONCLUSION:

Today's hearing and Port Commission's action is a major step forward in the process of returning the Pier 70 historic core to use as a vibrant part of the waterfront. The benefits of enlivening these buildings with active, new uses will be enjoyed for many generations by workers, residents and visitors alike. The Port's dilapidated facilities will be rehabilitated and add vitality to the neighborhood. Approval today will allow the Project approvals to proceed to the Board of Supervisors for review and approval and to move forward to obtain other required approvals.

Thanks are due to the Port Commission and to many members of Port Staff who assisted on this Project.

RECOMMENDATION:

As more fully described above, Port staff respectfully request:

- 1) Approval of the Second Amendment to ENA;
- 2) Adoption of the environmental findings under CEQA and the Mitigation Monitoring and Reporting Program; and
- 3) Approval of the Transaction Documents, in conformance with the terms described above; and
- 4) Approval of the Schematic Drawings; and

Prepared by: Phil Williamson, Project Manager
James Hurley, Feasibility Analyst

Through: Jonathan Stern, Assistant Deputy Director
Waterfront Development

For: Byron Rhett, Deputy Director
Planning & Development

Exhibits

- A. Location Map and Premises
- B. Mitigation Measures and Mitigation Monitoring and Reporting Program
- C. Email of Support from Central Waterfront Advisory Group, April 22, 2014
- D. Letter of Support from SF Heritage, April 21, 2014

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 14-32**

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and
- WHEREAS, By Resolution No. 10-27, the Port Commission authorized Port staff to issue a Request for Proposals (the "**RFP**") to solicit proposals from qualified parties to rehabilitate the Pier 70 historic core, consisting of six historic buildings on 20th Street within the "Historic Core" of Pier 70, as further described on Exhibit A attached to the Memorandum for Agenda Item 12A for the Port Commission meeting on May 13, 2014 (the "**Project Site**"); and
- WHEREAS, The RFP was issued on October 4, 2011, and two respondents submitted timely proposals, including Orton Development, Inc, ("**Orton**"); and
- WHEREAS, The two submitted proposals were reviewed and analyzed by Port staff, an independent real estate economics consultant, and an evaluation review panel with experience in real estate economics, land use planning and architecture/urban design; and
- WHEREAS, The Port Commission (i) reviewed and evaluated the summary and analyses of each of the two proposals prepared by Port staff, its independent real estate economics consultant, and the evaluation panel, (ii) reviewed the Port staff recommendations set forth in the Memorandum accompanying Resolution 12-18, (iii) considered the public testimony on Orton's proposal given to the Port Commission, and (iv) awarded to Orton an exclusive right to negotiate with the Port to develop the Project Site; and
- WHEREAS, On April 24, 2012, by Resolution 12-36, the Port Commission authorized the Executive Director to enter into an Exclusive Negotiating Agreement (as may be amended from time to time, "**ENA**") with Orton. Port and Orton entered into the ENA dated in May of 2012. The ENA sets forth the process, terms and conditions upon which the Port and Orton agree to negotiate certain transaction documents for the development of the Project Site and requires the Port and Orton to negotiate a Term Sheet to describe the basic elements of the proposed project, site plan, use program, economic parameters, and other fundamental terms that serves as the basis for negotiating the transaction documents; and
- WHEREAS, By Resolution 13-11, the Port Commission approved a First Amendment

to the Exclusive Negotiating Agreement for the purposes of extending the ENA term and deferring payment of Port's transaction costs incurred during the ENA term; and

WHEREAS, The term of the ENA expires on June 20, 2014, and Orton has requested an extension of the ENA term in order to give the parties sufficient time to obtain all required Project approvals necessary to execute a lease disposition and development agreement; and

WHEREAS, The parties have negotiated a Second Amendment to the ENA ("**Second Amendment**"), a copy of which is on file with the Commission Secretary, extending the ENA term to the earlier of December 31, 2014 or the effectiveness of the LDDA, unless in each case, such dates are extended or terminated in accordance with the Second Amendment; and

WHEREAS, Port staff recommends that the Port Commission approve the Second Amendment, which amendment is outlined in the in the Memorandum for Agenda Item 12A for the Port Commission meeting of May 13, 2014; now, therefore be it

RESOLVED, That the Port Commission hereby approves the terms of the Second Amendment and authorizes and directs the Executive Director of the Port, or her designee, to execute the Second Amendment, with the understanding that the final terms and conditions of any lease disposition and development agreement, lease or related documents negotiated between the Port and Orton during the exclusive negotiation period will be subject to the approval of the Port Commission and as required, the Board of Supervisors; and be it further

RESOLVED, That approval of the Second Amendment does not commit the Port Commission to approval of the transaction documents and that the Port Commission shall not take any discretionary actions committing it to the Project until the Port Commission has reviewed and considered environmental documentation prepared in compliance with the California Environmental Quality Act (CEQA); and be it further

RESOLVED, That the Port Commission hereby extends the Exclusive Negotiation Period to the earlier of December 31, 2014 or the effectiveness of the lease disposition and development agreement, unless in each case, such dates are extended or terminated in accordance with the Second Amendment.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of May 13, 2014.

Secretary

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 14-33

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and
- WHEREAS, By Resolution No. 10-27, the Port Commission authorized Port staff to issue a Request for Proposals (the "**RFP**") to solicit proposals from qualified parties to rehabilitate the Pier 70 historic core, consisting of six historic buildings on 20th Street (the "**Project Site**"); and
- WHEREAS, The RFP was issued on October 4, 2011, and two respondents submitted timely proposals, including Orton Development, Inc, ("**Orton**"); and
- WHEREAS, The submitted proposals were reviewed and analyzed by Port staff, an independent real estate economics consultant, and an evaluation review panel with experience in real estate economics, land use planning and architecture/urban design; and
- WHEREAS, The Port Commission (i) reviewed and evaluated the summary and analyses of the two proposals prepared by Port staff, its independent real estate economics consultant, and the evaluation panel, (ii) reviewed the Port staff recommendations set forth in the Staff Report accompanying Resolution 12-18, (iii) considered the public testimony on Orton's proposal given to the Port Commission, and (iv) awarded to Orton an exclusive right to negotiate with the Port to develop the Project Site (the "**Project**"); and
- WHEREAS, On April 24, 2012, by Resolution 12-36, the Port Commission authorized the Executive Director to enter into an Exclusive Negotiating Agreement, (as may be amended from time to time, "**ENA**") with Orton. Port and Orton entered into the ENA in May of 2012. The ENA sets forth the process, terms and conditions upon which the Port and Orton agreed to negotiate certain transaction documents for the development of the Project Site and requires the Port and Orton to negotiate a Term Sheet to describe the basic elements of the proposed project, site plan, use program, economic parameters, and other fundamental terms that serves as the basis for negotiating the transaction documents; and
- WHEREAS, On October 9, 2012, by Resolution No. 12-78, the Port Commission approved the Term Sheet containing the business terms for the proposed Project; and

- WHEREAS, Port staff and Orton have negotiated the terms of the (1) Lease Disposition and Development Agreement ("**LDDA**"), (2) form of Lease No. L-15814, and (3) such other documents related to the Project as contemplated in the foregoing documents and (4) the Schematic Drawings (collectively, the "**Transaction Documents**"), described in the Memorandum for Agenda Item 12A for the Port Commission meeting of May 13, 2014, copies of which are on file with the Commission Secretary; and
- WHEREAS, City and Port staff and consultants have conducted substantial economic analysis of the Project impacts and benefits on the Port and City; and
- WHEREAS, The Project will generate additional significant public benefits for the Port and the City, including: (i) the rehabilitation and reuse of historic buildings that are currently vacant and dilapidated; (ii) the creation of new public access areas within historic buildings; (iii) the creation of significant new jobs and economic development; and (iv) both minimum rent and ongoing participation in the Project's revenue stream for the Port to help the Port continue to promote Public Trust uses and purposes; and
- WHEREAS, In order to develop the proposed Project, the Executive Officer of the California State Lands Commission ("**State Lands**") must have made a determination that the restoration and preservation of any of the historic buildings within the Project where non-Public Trust uses are contemplated cannot be feasibly financed with available Public Trust uses, and that the non-Public Trust uses or lease are part of an overall program that furthers Public Trust purposes; and
- WHEREAS, Based on the third party analysis and feedback from State Lands staff, the rehabilitation of the buildings within the Project Site consistent with the Secretary Standards is not feasible with only public trust uses; and
- WHEREAS, Port and Orton have identified public financing mechanisms described herein, as additional funding sources for the Project including: (1) the submittal by Orton of an application to the City's Seismic Safety Loan Program ("**SSLP**") to fund the seismic work for Buildings 113/114 and 104, and (2) the adoption of an Infrastructure Financing Plan ("**IFP**") to fund public realm enhancements within the Pier 70 subarea of the Port wide Infrastructure Financing District ("**IFD**")
- WHEREAS, The Project is within the Eastern Neighborhoods Community Plan Area, for which the San Francisco Planning Commission certified the *Eastern Neighborhoods Rezoning and Area Plans Final EIR* ("**EN FEIR**") (Planning Department Case No. 2004.0160E); and

- WHEREAS, The Planning Department reviewed the Project and determined that a community plan exemption under CEQA Guidelines Section 15183 would be appropriate because the Project is within the scope of the EN FEIR and would not have any additional or significant adverse effects that were not examined in the EN FEIR, nor has any new or additional information come to light that will alter the conclusions of the EN FEIR and the proposed Project will not have any new effects on the environment that were not previously identified in the EN FEIR, nor will any environmental impacts be substantially greater than described in the EN FEIR and no mitigation measures previously found infeasible have been determined to be feasible, nor have any new mitigation measures or alternatives been identified but rejected by Developer; and
- WHEREAS, The San Francisco Planning Department prepared a Community Plan Exemption for the proposed Project, which exemption was approved on May 7, 2014, and which this Port Commission has reviewed; and
- WHEREAS, A copy of the Community Plan Exemption is on file with the Port Commission Secretary and is also available online at http://sfmea.sfplanning.org/2013.1168E_CPE.pdf; and
- WHEREAS, All applicable mitigation measures from the EN FEIR have been incorporated into the proposed Project or will be required as conditions of approval through the adoption of the attached Mitigation Monitoring and Reporting Program ("**MMRP**"); and
- WHEREAS, The proposed action is the Approval Action as defined by S.F. Administrative Code Chapter 31; now, therefore be it
- RESOLVED, That the Port Commission adopts and incorporates by reference as though fully set forth herein the MMRP, attached as Exhibit B to the Memorandum for Agenda Item 12A for the Port Commission meeting on May 13, 2014; and be it further
- RESOLVED, That the Port Commission approves the form and the substance of the Transaction Documents, including all attachments and exhibits thereto, and the transactions and other agreements which such Transaction Documents contemplate, incorporating the material business terms set forth in the Memorandum for Agenda Item 12A for the Port Commission meeting on May 13, 2014; and be it further
- RESOLVED, That the Port Commission hereby approves the Schematic Drawings of the proposed Project on file with the Port Commission Secretary and the representative Schematic Drawings of the buildings within the Project Site, as shown in the attachment to the Memorandum for Agenda Item 12A for the Port Commission meeting on May 13, 2014, and authorizes the Executive Director to approve non-material changes in

the Schematic Drawings; and be it further

RESOLVED, That the Port Commission authorizes and directs the Executive Director of the Port ("**Executive Director**") to forward Lease No. L-15814 to the Board of Supervisors for approval pursuant to its authority under Charter Section 9.118, and upon the effectiveness of such approval, to execute the LDDA, and subject to the terms of the LDDA, as applicable, execute the Lease in substantially the form of such agreements on file with the Port Commission Secretary, and in such final form as is approved by the Executive Director in consultation with the City Attorney; and be it further

RESOLVED, That the Port Commission hereby endorses the use of public financing mechanisms described herein, including: (1) the submittal by either Orton of an application to the City's SSLP administered by the Mayor's Office of Housing and Community Development, and (2) the adoption of an IFP to fund public realm enhancements within the Pier 70 subarea of the Port wide IFD; and authorizes and directs the Executive Director of the Port, or her designee, to present the IFP to the Board of Supervisors for their approval; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director to enter into other agreements, encroachment permits, easement agreements, and other related covenants and property documents necessary to implement the transactions contemplated by the Transaction Documents, and to enter into any additions, amendments or other modifications to the Transaction Documents including preparation and attachment of, or changes to, any or all of the attachments and exhibits that the Executive Director, in consultation with the City Attorney, determines are in the best interests of the City, do not materially decrease the benefits or otherwise materially increase the obligations or liabilities of the City or Port, and are necessary or advisable to complete the transactions that the Transaction Documents contemplate and effectuate the purpose and intent of this resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of such other agreements, easement agreements and other related covenants and property documents, and/or additions, amendments or other modifications to the Transaction Documents; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director and any other appropriate officers, agents or employees of the City to take any and all steps (including the execution and delivery of any and all certificates, agreements, notices, consents, escrow instructions, closing documents and other instruments or documents) as they or any of them deems necessary or appropriate, in consultation with the City Attorney, in order to consummate the transactions contemplated under the Transaction Documents, in accordance with this resolution, or to

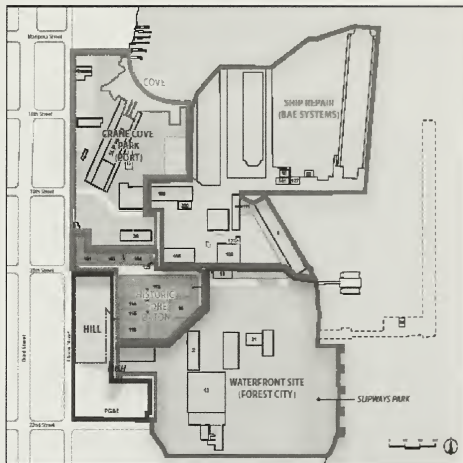
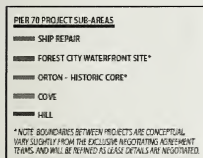
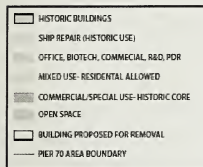
otherwise effectuate the purpose and intent of this resolution, such determination to be conclusively evidenced by the execution and delivery by any such person or persons of any such documents; and be it further

RESOLVED, That the Port Commission approves, confirms and ratifies all prior actions taken by the officials, employees and agents of the Port Commission or the City with respect to the Transaction Documents.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of May 13, 2014.

Secretary

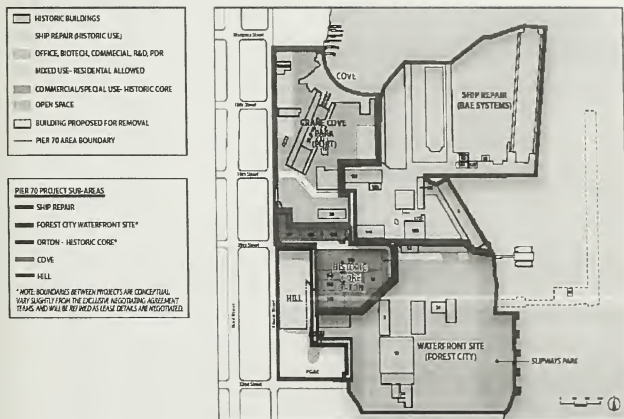
EXHIBIT A: PIER 70 PROJECTS



SEPTEMBER 2012

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EXHIBIT A: PIER 70 PROJECTS



SEPTEMBER 2012

MITIGATION MONITORING AND REPORTING PROGRAM
(Includes Text for Adopted Mitigation and Improvement Measures)

MEASURES ADOPTED AS CONDITIONS OF APPROVAL	Responsibility for Implementation	Schedule	Monitoring/Report Responsibility	Status/Date Completed
MITIGATION MEASURES FROM THE EASTERN NEIGHBORHOODS AREA PLAN EIR				
<i>Archaeological Resources Mitigation Measure</i>				
M-CP-1 - Properties with No Previous Studies (Mitigation Measure J-2 in the <i>Eastern Neighborhoods FEIR</i>). Based on the reasonable potential that archaeological resources may be present within the project site, the following requirement shall be undertaken to avoid any potentially significant adverse effect from the proposed project on buried or submerged historical resources. The project sponsor shall retain the services of an archaeological consultant from the rotational Department Qualified Archaeological Consultants List (OACL) maintained by the Planning Department archaeologist. The project sponsor shall contact the Department archaeologist to obtain the names and contact information for the next three archaeological consultants on the OACL. The archaeological consultant shall undertake an archaeological monitoring program. All plans and reports prepared by the consultant as specified herein shall be submitted first and directly to the ERO for review and comment, and shall be considered draft reports subject to revision until final approval by the ERO. Archaeological monitoring and/or data recovery programs required by this measure could suspend construction of the project for up to a maximum of four weeks. At the direction of the ERO, the suspension of construction can be extended beyond four weeks only if such a suspension is the only feasible means to reduce to a less than significant level potential effects on a significant archaeological resource as defined in CEQA Guidelines Sect. 15064.5 (a)(c).	Project sponsor; Planning Department archaeologist or qualified archaeological consultant; Environmental Review Officer (ERO)	Prior to issuance of any permit for soil-disturbing activities.	Project sponsor; archaeologist; ERO.	Considered complete upon Department archaeologist's and/or ERO's approval of FARR or other documentation.

The archaeological monitoring program (AMP). The archaeological monitoring program shall minimally include the following provisions:

- The archaeological consultant, project sponsor, and ERO shall meet and consult on the scope of the AMP reasonably prior to any project-related soils disturbing activities commencing. The ERO in consultation with the project archaeologist shall determine what project activities shall be archaeologically monitored. In most cases, any soils disturbing activities, such as demolition, foundation removal, excavation, grading, utilities installation, foundation work, driving of piles (foundation, shoring, etc.), site remediation, etc., shall require archaeological monitoring because of the potential risk these activities pose to

400-600 20th STREET, PIER 70 ("20th STREET HISTORIC CORE")

MITIGATION MONITORING AND REPORTING PROGRAM

Exhibit B

CASE NO 2013.1168E
MAY 7, 2014

MITIGATION MONITORING AND REPORTING PROGRAM (Includes Text for Adopted Mitigation and Improvement Measures)				
MEASURES ADOPTED AS CONDITIONS OF APPROVAL	Responsibility for Implementation	Schedule	Monitoring/Report Responsibility	Status/Date Completed
<p>archaeological resources and to their dispositional context;</p> <ul style="list-style-type: none"> The archeological consultant shall advise all project contractors to be on the alert for evidence of the presence of the expected resource(s), of how to identify the evidence of the expected resource(s), and of the appropriate protocol in the event of apparent discovery of an archeological resource; The archaeological monitor(s) shall be present on the project site according to a schedule agreed upon by the archeological consultant and the ERO until the ERO has, in consultation with the archeological consultant, determined that project construction activities could have no effects on significant archeological deposits; The archeological monitor shall record and be authorized to collect soil samples and artifactual/ecofactual material as warranted for analysis; If an intact archeological deposit is encountered, all soils disturbing activities in the vicinity of the deposit shall cease. The archeological monitor shall be empowered to temporarily redirect demolition/excavation/pile driving/construction crews and heavy equipment until the deposit is evaluated. If in the case of pile driving activity (foundation, shoring, etc.), the archeological monitor has cause to believe that the pile driving activity may affect an archeological resource, the pile driving activity shall be terminated until an appropriate evaluation of the resource has been made in consultation with the ERO. The archeological consultant shall immediately notify the ERO of the encountered archeological deposit. The archeological consultant shall, after making a reasonable effort to assess the identity, integrity, and significance of the encountered archeological deposit, present the findings of this assessment to the ERO. <p><i>Consultation with Descendant Communities:</i> On discovery of an archeological site associated with descendant Native Americans or the Overseas Chinese an appropriate representative of the descendant group and the ERO shall be contacted. The representative of the</p>				

MITIGATION MONITORING AND REPORTING PROGRAM (Includes Text for Adopted Mitigation and Improvement Measures)				
MEASURES ADOPTED AS CONDITIONS OF APPROVAL	Responsibility for Implementation	Schedule	Monitoring/Report Responsibility	Status/Date Completed
<p>descendant group shall be given the opportunity to monitor archaeological field investigations of the site and to consult with ERO regarding appropriate archaeological treatment of the site, of recovered data from the site, and, if applicable, any interpretative treatment of the associated archaeological site. A copy of the Final Archaeological Resources Report shall be provided to the representative of the descendant group.</p> <p>If the ERO in consultation with the archeological consultant determines that a significant archeological resource is present and that the resource could be adversely affected by the proposed project, at the discretion of the project sponsor either:</p> <p>A) The proposed project shall be re-designed so as to avoid any adverse effect on the significant archeological resource, or</p> <p>B) An archeological data recovery program shall be implemented, unless the ERO determines that the archeological resource is of greater interpretive than research significance and that interpretive use of the resource is feasible.</p> <p>If an archeological data recovery program is required by the ERO, the archeological data recovery program shall be conducted in accord with an archeological data recovery plan (ADRP). The project archeological consultant, project sponsor, and ERO shall meet and consult on the scope of the ADRP. The archeological consultant shall prepare a draft ADRP that shall be submitted to the ERO for review and approval. The ADRP shall identify how the proposed data recovery program will preserve the significant information the archeological resource is expected to contain. That is, the ADRP will identify what scientific/historical research questions are applicable to the expected resource, what data classes the resource is expected to possess, and how the expected data classes would address the applicable research questions. Data recovery, in general, should be limited to the portions of the historical property that could be adversely affected by the proposed project. Destructive data recovery methods shall not be applied to portions of the archeological resources if nondestructive methods are practical.</p>				

MITIGATION MONITORING AND REPORTING PROGRAM (includes Text for Adopted Mitigation and Improvement Measures)				
MEASURES ADOPTED AS CONDITIONS OF APPROVAL	Responsibility for Implementation	Schedule	Monitoring/Report Responsibility	Status/Date Completed
<p>The scope of the ADRP shall include the following elements:</p> <ul style="list-style-type: none"> Field Methods and Procedures. Descriptions of proposed field strategies, procedures, and operations. Cataloging and Laboratory Analysis. Description of selected cataloging system and artifact analysis procedures. Discard and Deaccession Policy. Description of and rationale for field and post-field discard and deaccession policies. Interpretive Program. Consideration of an on-site/off-site public interpretive program during the course of the archeological data recovery program. Security Measures. Recommended security measures to protect the archeological resource from vandalism, looting, and non-intentionally damaging activities. Final Report. Description of proposed report format and distribution of results. Curation. Description of the procedures and recommendations for the curation of any recovered data having potential research value, identification of appropriate curation facilities, and a summary of the accession policies of the curation facilities. <p><i>Human Remains. Associated or Unassociated Funerary Objects.</i> The treatment of human remains and of associated or unassociated funerary objects discovered during any soils disturbing activity shall comply with applicable State and Federal Laws, including immediate notification of the Coroner of the City and County of San Francisco and in the event of the Coroner's determination that the human remains are Native American remains, notification of the California State Native American Heritage Commission (NAHC) who shall appoint a Most Likely Descendant (MLD) (Pub. Res. Code Sec. 5097.98). The archeological consultant, project sponsor, and MLD shall make all reasonable efforts to develop an agreement for the treatment of, with appropriate dignity, human remains and associated or unassociated funerary objects (CEQA Guidelines, Sec. 15064.5(d)). The agreement should take into consideration the appropriate excavation, removal, recordation, analysis, curation, possession, and final disposition of the</p>				

MITIGATION MONITORING AND REPORTING PROGRAM (Includes Text for Adopted Mitigation and Improvement Measures)				
MEASURES ADOPTED AS CONDITIONS OF APPROVAL	Responsibility for Implementation	Schedule	Monitoring/Report Responsibility	Status/Date Completed
human remains and associated or unassociated funerary objects.				
<p><i>Final Archeological Resources Report.</i> The archeological consultant shall submit a Draft Final Archeological Resources Report (FARR) to the ERO that evaluates the historical significance of any discovered archeological resource and describes the archeological and historical research methods employed in the archeological testing/monitoring/data recovery program(s) undertaken. Information that may put at risk any archeological resource shall be provided in a separate removable insert within the draft final report.</p> <p>Copies of the Draft FARR shall be sent to the ERO for review and approval. Once approved by the ERO copies of the FARR shall be distributed as follows: California Archaeological Site Survey Northwest Information Center (NWIC) shall receive one (1) copy and the ERO shall receive a copy of the transmittal of the FARR to the NWIC. The Environmental Planning division of the Planning Department shall receive one bound, one unbound and one unlocked, searchable PDF copy on CD of the FARR along with copies of any formal site recordation forms (CA DPR 523 series) and/or documentation for nomination to the National Register of Historic Places/California Register of Historical Resources. In instances of high public interest or interpretive value, the ERO may require a different final report content, format, and distribution than that presented above.</p>				
Transportation Mitigation Measure				
<p>Project Mitigation Measure 2 – Traffic Signal Installation (Mitigation Measure E-1 in the Eastern Neighborhoods FEIR). To mitigate the significant cumulative traffic impact at the intersection of 20th and Illinois Streets, an upgraded traffic signal would need to be installed at this intersection. With this new signal, the average vehicle delay would decrease, and the intersection would operate at LOS B. There are a number of proposed developments in the immediate vicinity of this intersection, most noticeably other development at Pier 70, that would contribute to growth in future traffic volumes and increased delays. Installation of a traffic signal at the intersection of 20th and Illinois Streets could be linked to these and other proposed</p>	San Francisco Municipal Transportation Agency (SFMTA) project sponsor, Port of San Francisco.	To be determined by SFMTA.	SFMTA, Port of San Francisco.	Upon signalization.

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<p>development projects.</p> <p>The project sponsor shall pay its fair share contribution to mitigate the significant cumulative traffic impact at the intersection of 20th and Illinois Streets, which is approximately 9 percent of the cost of the traffic signal at this intersection. The amount and schedule for payment of the proposed project's fair share contribution to the mitigation shall be determined by SFMTA.</p>				
<p>Noise Mitigation Measures</p> <p>Project Mitigation Measure 3 – Interior Noise Levels (Mitigation Measure F-3 in the Eastern Neighborhoods FEIR). For new development including noise-sensitive uses located along streets with noise levels above 60 dBA (Ldn), as shown in Figure 18 of the <i>Eastern Neighborhoods FEIR</i>, where such development is not already subject to the California Noise Insulation Standards in Title 24 of the California Code of Regulations, the project sponsor shall conduct a detailed analysis of noise reduction requirements. Such analysis shall be conducted by persons(s) qualified in acoustical analysis and/or engineering. Noise insulation features identified and recommended by the analysis shall be included in the design, as specified in the San Francisco General Plan Land Use Compatibility Guidelines for Community Noise to reduce potential interior noise levels to the maximum extent feasible.</p>	Project sponsor; project contractor(s).	Design measures to be incorporated into project design, prior to issuance of a building permit.	Planning Department; Port of San Francisco.	Considered complete upon approval of final construction drawing set.
<p>Project Mitigation Measure 4 – Siting of Noise-Sensitive Uses (Mitigation Measure F-4 in the Eastern Neighborhoods FEIR). To reduce potential conflicts between existing noise-generating uses and new sensitive receptors, for new development including noise-sensitive uses, the Planning Department shall require the preparation of an analysis that includes, at a minimum, a site survey to identify potential noise-generating uses within 900 feet of, and that have a direct line-of-sight to, the project site, and including at least one 24-hour noise measurement (with maximum noise level readings taken at least every 15 minutes), prior to the first project approval action. The analysis shall be prepared by persons qualified in acoustical analysis and/or engineering and shall demonstrate with reasonable certainty that Title 24 standards, where applicable, can be met, and that there are no</p>	Project sponsor; project contractor(s).	Design measures to be incorporated into project design, prior to issuance of a building permit.	Planning Department; Port of San Francisco.	Considered complete upon approval of final construction drawing set.

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particular circumstances about the proposed project site that appear to warrant heightened concern about noise levels in the vicinity. Should such concerns be present, the Department may require the completion of a detailed noise assessment by person(s) qualified in acoustical analysis and/or engineering prior to the first project approval action, in order to demonstrate that acceptable interior noise levels consistent with those in the Title 24 standards can be attained.				
Project Mitigation Measure 5 – Siting of Noise-Generating Uses (Mitigation Measure F.5 in the Eastern Neighborhoods FEIR). To reduce potential conflicts between existing sensitive receptors and new noise-generating uses, for new development including commercial, industrial or other uses that would be expected to generate noise levels in excess of ambient noise, either short-term, at nighttime, or as a 24-hour average, in the proposed project site vicinity, the Planning Department shall require the preparation of an analysis that includes, at a minimum, a site survey to identify potential noise-sensitive uses within 900 feet of, and that have a direct line-of-sight to, the project site, and including at least one 24-hour noise measurement (with maximum noise level readings taken at least every 15 minutes), prior to the first project approval action. The analysis shall be prepared by persons qualified in acoustical analysis and/or engineering and shall demonstrate with reasonable certainty that the proposed use would comply with the use compatibility requirements in the general plan and Police Code section 2909, would not adversely affect nearby noise-sensitive uses, and that there are no particular circumstances about the proposed project site that appear to warrant heightened concern about noise levels that would be generated by the proposed use. Should such concerns be present, the Department may require the completion of a detailed noise assessment by person(s) qualified in acoustical analysis and/or engineering prior to the first project approval action.	Project sponsor; project contractor(s).	Design measures to be incorporated into project design, prior to issuance of a building permit.	Planning Department; Port of San Francisco.	Considered complete upon approval of final construction drawing set.
Air Quality Mitigation Measures Project Mitigation Measure 6 – Construction Emissions Minimization (Based on Mitigation Measure G-1 in the Eastern Neighborhoods FEIR). A Construction Emissions Minimization Plan Prior to issuance of a construction permit, the project sponsor shall submit a	Project sponsor; project contractor(s).	Prior to issuance of a permit specified in Section 106A.3.2.6 of the San Francisco Building Code.	Project sponsor/contractor(s) and the ERO.	Considered complete upon findings by ERO that plan is complete. -

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<p>Construction Emissions Minimization Plan (Plan) to the Environmental Review Officer (ERO) for review and approval by an Environmental Planning Air Quality Specialist. The Plan shall detail project compliance with the following requirements:</p> <p>1. All off-road equipment greater than 25 hp and operating for more than 20 total hours over the entire duration of construction activities shall meet the following requirements:</p> <p>a) Where access to alternative sources of power are available, portable diesel engines shall be prohibited;</p> <p>b) All off-road equipment shall have:</p> <p>i. Engines that meet or exceed either USEPA or ARB Tier 2 off-road emission standards, and</p> <p>ii. Engines that are retrofitted with an ARB Level 3 Verified Diesel Emissions Control Strategy (VDECS).¹</p> <p>c) Exceptions:</p> <p>i. Exceptions to A(1)(a) may be granted if the project sponsor has submitted information providing evidence to the satisfaction of the ERO that an alternative source of power is limited or infeasible at the project site and that the requirements of this exception provision apply. Under this circumstance, the sponsor shall submit documentation of compliance with A(1)(b) for onsite power generation.</p> <p>ii. Exceptions to A(1)(b)(ii) may be granted if the project sponsor has submitted information providing evidence to the satisfaction of the ERO that a particular piece of off-road equipment with an ARB Level 3 VDECS is: (1) technically not feasible, (2) would not produce desired emissions reductions due to expected operating modes, (3) installing the control device would create a safety hazard or impaired visibility for the operator, or (4) there is a compelling emergency need to use off-road equipment that are not retrofitted with an ARB Level 3</p>				

¹ Equipment with engines meeting Tier 4 Interim or Tier 4 Final emission standards automatically meet this requirement, therefore a VDECS would not be required.

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<p>VDECS and the sponsor has submitted documentation to the ERO that the requirements of this exception provision apply. If granted an exception to A(1)(b)(ii), the project sponsor must comply with the requirements of A(1)(c)(iii).</p> <p>iii. If an exception is granted pursuant to A(1)(c)(ii), the project sponsor shall provide the next cleanest piece of off-road equipment as provided by the step down schedules in Table A1 below.</p> <p align="center">TABLE A1 OFF-ROAD EQUIPMENT COMPLIANCE STEP DOWN SCHEDULE*</p> <table><tr><th>Compliance Alternative</th><th>Engine Emission Standard</th><th>Emissions Control</th></tr><tr><td>1</td><td>Tier 2</td><td>ARB Level 2 VDECS</td></tr><tr><td>2</td><td>Tier 2</td><td>ARB Level 1 VDECS</td></tr><tr><td>3</td><td>Tier 2</td><td>Alternative Fuel*</td></tr></table> <p>*How to use the table. If the requirements of (A)(1)(b) cannot be met, then the project sponsor would need to meet Compliance Alternative 1. Should the project sponsor not be able to supply off-road equipment meeting Compliance Alternative 1, then Compliance Alternative 2 would need to be met. Should the project sponsor not be able to supply off-road equipment meeting Compliance Alternative 2, then Compliance Alternative 3 would need to be met. **Alternative fuels are not a VDECS.</p>	Compliance Alternative	Engine Emission Standard	Emissions Control	1	Tier 2	ARB Level 2 VDECS	2	Tier 2	ARB Level 1 VDECS	3	Tier 2	Alternative Fuel*				
Compliance Alternative	Engine Emission Standard	Emissions Control														
1	Tier 2	ARB Level 2 VDECS														
2	Tier 2	ARB Level 1 VDECS														
3	Tier 2	Alternative Fuel*														

2 The project sponsor shall require the idling time for off-road and on-road equipment be limited to no more than two minutes, except as provided in exceptions to the applicable state regulations regarding idling for off-road and on-road equipment. Legible and visible signs shall be posted in multiple languages (English, Spanish, Chinese) in designated queuing

2. The project sponsor shall require the idling time for off-road and on-road equipment be limited to no more than two minutes, except as provided in exceptions to the applicable state regulations regarding idling for off-road and on-road equipment. Legible and visible signs shall be posted in multiple languages (English, Spanish, Chinese) in designated queuing

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<p>areas and at the construction site to remind operators of the two minute idling limit.</p> <p>3. The project sponsor shall require that construction operators properly maintain and tune equipment in accordance with manufacturer specifications.</p> <p>4. The Plan shall include estimates of the construction timeline by phase with a description of each piece of off-road equipment required for every construction phase. Off-road equipment descriptions and information may include, but is not limited to: equipment type, equipment manufacturer, equipment identification number, engine model year, engine certification (Tier rating), horsepower, engine serial number, and expected fuel usage and hours of operation. For VDECS installed: technology type, serial number, make, model, manufacturer, ARB verification number level, and installation date and hour meter reading on installation date. For off-road equipment using alternative fuels, reporting shall indicate the type of alternative fuel being used.</p> <p>5. The Plan shall be kept on-site and available for review by any persons requesting it and a legible sign shall be posted at the perimeter of the construction site indicating to the public the basic requirements of the Plan and a way to request a copy of the Plan. The project sponsor shall provide copies of Plan to members of the public as requested.</p>				
<p>B Reporting. Quarterly reports shall be submitted to the ERO indicating the construction phase and off-road equipment information used during each phase including the information required in A(4). In addition, for off-road equipment using alternative fuels, reporting shall include the actual amount of alternative fuel used</p> <p>1. Within six months of the completion of construction activities, the project sponsor shall submit to the ERO a final report summarizing construction activities. The final report shall indicate the start and end dates and duration of each construction phase. For each phase, the report shall include detailed information required in A(4). In addition, for off-road equipment using</p>	Project sponsor; contractor(s).	Quarterly	Project sponsor; contractor(s); ERO	Considered complete on findings by ERO that Plan is being/was implemented
		Within 6 months of completion of construction activities.	Submit a final report of construction activities.	

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alternative fuels, reporting shall include the actual amount of alternative fuel used.				
C. <i>Certification Statement and On-site Requirements.</i> Prior to the commencement of construction activities, the project sponsor must certify (1) compliance with the Plan, and (2) all applicable requirements of the Plan have been incorporated into contract specifications.	Project sponsor; contractor(s).	Prior to construction activities requiring the use of off-road equipment.	Project sponsor; contractor(s); ERO.	Considered complete upon submittal of certification statement.
Hazardous Materials Mitigation Measure				
Project Mitigation Measure 7 – Hazardous Building Materials (Mitigation Measure L-1 in the Eastern Neighborhoods FEIR). The City shall condition future development approvals to require that the subsequent project sponsors ensure that any equipment containing PCBs or DEPH, such as fluorescent light ballasts, are removed and property disposed of according to applicable federal, state, and local laws prior to the start of renovation, and that any fluorescent light tubes, which could contain mercury, are similarly removed and properly disposed of. Any other hazardous materials identified, either before or during work, shall be abated according to applicable federal, state, and local laws.	ODI; Port of San Francisco	Prior to any demolition or construction activities.	Project sponsor.	Upon completion of proper disposal.
IMPROVEMENT MEASURES SPECIFIC TO 400-600 20th Street, Pier 70 ("20th Street Historic Core")				
Transportation Improvement Measures				
Project Improvement Measure 1 – Develop Additional Pedestrian and Roadway Treatments. As an improvement measure to reduce any potential conflicts between pedestrians and freight/delivery vehicles maneuvering in and out of loading zones and within the courtyard area, the project sponsor should provide additional pedestrian treatments to assure safe passage of pedestrians throughout the project site and reduce and/or eliminate any vehicle-pedestrian conflicts. The project sponsor should provide:	Project sponsor.	Design measures to be incorporated into project design; prior to issuance of a building permit.	Port of San Francisco; Planning Department; SFMTA.	Considered complete upon installation and implementation of pedestrian improvements.
<ul style="list-style-type: none"> • High-visibility crosswalks (e.g., continental, transverse, and/or ladder marking pattern) at the intersection of 20th Street and Georgia Street. Installation of crosswalks will provide enhanced pedestrian circulation and connectivity between buildings north of 400-600 20th Street, Pier 70 ("20th STREET HISTORIC CORE"). 				

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<p>and south of 20th Street;</p> <ul style="list-style-type: none"> Installation of ADA-accessible ramps at all proposed crosswalk locations and at a safe distance from any on-street loading zone; Installation of STOP signs along the northbound Michigan Street approach and northbound Louisiana Street approach; Additional signage and notifications within the courtyard area to better guide pedestrians attempting to access various buildings from the courtyard area and to maintain a safe distance from any parked or moving vehicles within the courtyard area. Special pavement markings may be installed to delineate the pedestrian walkway within the courtyard area. Additional signage along the loading dock areas to inform non-authorized personnel that traversing these areas is strictly prohibited and proper signage should guide non-authorized personnel to the nearest appropriate path of travel. <p>All pedestrian treatments should be constructed in accordance with the California Manual on Uniform Traffic Control Devices (MUTCD). Such pedestrian treatments may require approvals by the Port of San Francisco, San Francisco Planning Department, Department of Public Works, and SFMTA's Livable Streets Subdivision, as appropriate.</p> <p>Project Improvement Measure 2 – Designate Safe, Accessible, and Convenient Bicycle Parking. The proposed locations for bicycle parking within the project site have not been finalized and are subject to change. However, as an improvement measure to provide safe, accessible, and convenient bicycle parking for patrons (employees and visitors) and to reduce any potential conflicts with moving vehicles, the project sponsor should locate bicycle parking in an appropriate distance from nearby roadways or loading zones, install bicycle parking in locations that are highly visible for bicyclists, and design bicycle parking that allows for ease of access in and out of these bicycle parking areas. The project sponsor should encourage future building tenants to provide</p>				
	Project sponsor.	Design measures to be incorporated into project design; prior to issuance of a building permit.	Port of San Francisco; Planning Department; Department of Public Works (DPW); SFMTA.	Considered complete upon installation and implementation of bicycle parking.

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adequate space for Class 1 bicycle parking and to provide bicycle parking that is covered, secured and accessible for employees. The project sponsor should install Class 2 bicycle spaces along sidewalks and/or open space with adequate spacing and/or install bicycle corrals to provide an adequate number of bicycle parking spaces within a concentrated area that is at a safe, convenient distance from moving vehicles. Appropriate signage should also be installed to notify bicyclists of these on-site bicycle parking areas.					
Project Improvement Measure 3 – Designate Loading Dock Manager. During the average and peak loading hour, not all freight/delivery vehicles may be accommodated in the off-street loading spaces within the project site. As a consequence, loading and unloading vehicles may need to wait, use on-street loading facilities or possibly double park. As an improvement measure to alleviate potential adverse effects to loading activities within the project site, the project sponsor should require each building tenant to designate a loading dock manager(s) to schedule and/or direct loading vehicles, as appropriate.	Project sponsor; building tenant(s).	Ongoing during building operations.	Port of San Francisco.	Ongoing during building operations.	
Project Improvement Measure 4 – Require Traffic Controllers/Flaggers for Larger Deliveries. During deliveries that require oversized vehicles that require the use of on-site loading dock facilities, or for any deliveries that would occur in the presence of high volumes of pedestrian or bicycle traffic, the project sponsor should require tenants to use flaggers to guide vehicles through and/or around the loading zones as well as guide vehicles along public roadways (e.g., 20th, Michigan, Georgia, and Louisiana Streets). Such efforts would minimize potential conflicts with other users of the roadway, including other vehicles, pedestrians, and bicyclists circulating within the project site.	Project sponsor; building tenant(s).	Ongoing during building operations for oversized delivery vehicles or during higher volumes of pedestrian or bicycle activity in the project area.	Port of San Francisco.	Ongoing during building operations.	
Project Improvement Measure 5 – Limit Peak Hour Truck Movements. Any project construction traffic occurring between 7:00 a.m. and 9:00 a.m. or between 3:30 p.m. and 6:00 p.m. would coincide with peak hour traffic and could temporarily impede traffic and transit flow, although it would not be considered a significant impact. Limiting truck movements to the hours between 9:00 a.m. and 3:30 p.m. (or other times, if approved by SFMTA) would further minimize disruption of the general traffic flow on adjacent streets during the a.m. and p.m. peak periods.	Project sponsor; project contractor(s).	Ongoing during construction.	Port of San Francisco.	Upon completion of project construction	
Project Improvement Measure 6 – Develop Construction Management Plan. The project sponsor, the Port of San Francisco, and 400-600 20 th STREET, PIER 70 ("20 th STREET HISTORIC CORE")	Project sponsor; project contractor(s).	Prior to construction activity	Port of San Francisco; SFMTA, San	Upon completion of project construction	

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their construction contractor(s) will meet with the Sustainable Streets Division of the SFMTA, the Fire Department, Muni, and the Planning Department to determine feasible measures to reduce traffic congestion, including potential transit disruption, and pedestrian circulation impacts during construction of the project. The project sponsor will coordinate with construction contractors for any concurrent nearby projects (e.g., along Illinois Street, between 18th and 19th Streets, and other parts of Pier 70) that are planned for construction or which later become known.	contractor(s).		Francisco Fire Department; Planning Department; Project sponsor.	project construction.
Project Improvement Measure 7 – Encourage Transit Access for Construction Workers. As an improvement measure to minimize parking demand and vehicle trips associated with construction workers, the construction contractor could include methods to encourage transit use to the project site by construction workers in the Construction Management Plan.	Project sponsor; project contractor(s).	Prior to construction activity.	Project sponsor.	Upon completion of project construction.
Project Improvement Measure 8 – Provide Project Construction Updates. As an improvement measure to minimize construction effects on nearby businesses, the project sponsor could provide regularly-updated information (typically in the form of community meetings, website, news articles, on-site posting, etc.) regarding project construction and schedule, as well as contact information for specific construction inquiries or concerns.	Project sponsor.	Prior to and during construction.	Project sponsor.	Upon completion of project construction.
Project Improvement Measure 9 – Transportation Management Plan <i>Maincs/Monitoring/Evaluation</i>				
<ul style="list-style-type: none"> Orton Development, Inc. (ODI) or the Port will provide a TMP coordinator for the site to ensure the following TMP is implemented. ODI will require sub-tenant compliance with TMP to make sure employers on site are offering commuter check benefits to employees, per City requirements. 	ODI; Port.	Upon building occupancy	Project sponsor; Port.	Ongoing
	ODI; tenant(s).	Ongoing during project operations	Project sponsor; Port.	Ongoing

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<ul style="list-style-type: none"> • ODI will work with SFMTA and/or the Planning Department to establish quantitative mode share or non-automobile share targets for all trip purposes for workers and visitors to the site. 	ODI	Prior to building occupancy	ODI; TMP Coordinator.	Complete upon establishment of mode share targets.
<ul style="list-style-type: none"> • ODI will send out an annual travel behavior survey to employers and will share its report and collected responses with the City. 	ODI; tenant(s).	Annually	ODI; SFMTA; Planning Department; TMP Coordinator.	Ongoing during project operations.
<ul style="list-style-type: none"> • In Port-operated lots that serve the project, parking operators will collect data on traffic and parking occupancy during peak commute and peak events annually and report to the Planning Department and/or SFMTA. 	Port of San Francisco	Annually	ODI; TMP Coordinator; SFMTA; Planning Department.	Ongoing during project operations.
<p align="center"><i>Transit and Ride Sharing Incentives</i></p> <ul style="list-style-type: none"> • ODI and the Port will require sub-tenants to adopt a transit-oriented program that promotes transit and ride sharing options before occupancy 	ODI; Port; tenants(s).	Before building occupancy	Port; TMP Coordinator; SFMTA; Planning Department.	Upon program adoption.
<ul style="list-style-type: none"> • ODI will encourage tenant employees to commute to work on Muni, Caltrain, and BART. ODI will require tenants to provide 1 partially- or fully-subsidized Muni Fast Pass or similar reasonable financial contribution to a transit Muni Fast Pass/Clipper Card for each employee in addition to the sub-tenant/employer compliance with the City's Commuter Benefits ordinance. 	ODI; Port; tenants(s).	Ongoing during project operations	ODI; Port; TMP Coordinator.	Ongoing during project operations.
<ul style="list-style-type: none"> • ODI will require that all future tenants register for San Francisco's free Emergency Ride Home program. 	ODI; tenant(s).	Ongoing during project operations	ODI; Port; TMP Coordinator.	Ongoing during project operations.
<ul style="list-style-type: none"> • ODI will provide transit-planning tools (maps and Wayfinding information) in public spaces and common areas in coordination with site-wide wayfinding and historic interpretation. 	ODI; tenant(s).	Upon building occupancy.	ODI; Port; TMP Coordinator.	Ongoing during project operations.

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<p><i>Bicycling Incentives</i></p> <ul style="list-style-type: none"> ODI will provide secure Class I and/or Class II bicycle parking in a manner that meets the planning code requirements. For this project, ODI will provide a minimum of 33 Class 1 bicycle parking spaces and 30 Class 2 bicycle parking spaces as required in SF Planning Code, Sections 155.2 and 155.3. The location of the bicycle parking is expected to be in the project courtyard and in areas north of Buildings 101, 102, and 104. The exact locations are being determined and will be submitted for Port schematic review. As required by Planning Code 155.1(e)(4), "All plans will indicate the location, dimensions, and type of bicycle parking facilities to be provided, including the model or design of racks to be installed and the dimensions of all aisle, hallways, or routes used to access the parking." The Port and ODI agree to coordinate with SFMTA and SF Bike Share representatives to discuss the potential of installing a Pier 70 20th Street Historic Buildings SF Bike Share Station. ODI will provide tire inflation and quick repair stations. ODI will provide on-site bicycles for subtenants and employers to use that are not open to the public. ODI will sponsor and promote on-site bicycle education and bicycle safety classes bi-annually. 	<p>ODI</p> <p>ODI</p> <p>ODI</p> <p>ODI</p> <p>ODI</p> <p>ODI</p>	<p>Design measures to be incorporated into project design; prior to issuance of a building permit.</p> <p>Design measures to be incorporated into project design; prior to issuance of a building permit.</p> <p>Upon building occupancy; revisit two years after initial consultation regarding viability.</p> <p>Ongoing during building operations.</p> <p>Upon building occupancy.</p> <p>Bi-annually</p> <p>Design measures to be incorporated into project design; prior to issuance of a building permit.</p>	<p>ODI; Port.</p> <p>ODI; Port.</p> <p>Port; ODI, SFMTA, SF Bike Share Staff, TMP Coordinator.</p> <p>TMP Coordinator</p> <p>TMP Coordinator</p> <p>TMP Coordinator</p> <p>Port</p>	<p>Upon completion of construction.</p> <p>Upon completion of construction.</p> <p>After second consultation.</p> <p>Upon completion of project construction.</p> <p>Upon provision of bicycles.</p> <p>Ongoing during project operations.</p> <p>Upon allocation of parking spaces for carshare</p>

Car Sharing, Carpool, and Vanpool Incentives

- The Port operated parking lot at 20th and Illinois will provide premium parking locations for carshare vehicles to meet the requirements of San Francisco Planning Code Ordinance 286-

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10, which states that projects that provide more than 10 spaces for non-residential uses must dedicate 5% of these spaces, rounded down to the nearest whole number, to short-term, transient use by vehicles from certified car sharing organizations per Section 166, which include vanpool, ndeshare, taxis, or other co-operative auto programs.		building permit.		vehicles.
<ul style="list-style-type: none"> Once tenants are identified, ODI will work to encourage car share memberships and user discounts for on-site businesses. 	ODI; tenant(s).	Upon building occupancy.	TMP Coordinator	Ongoing during project operations.
<ul style="list-style-type: none"> ODI and the Port will provide premium-parking locations for visiting carpool and vanpool at the Port operated lot located at 20th/Illinois Streets, in the western portion of the project site west of Michigan Street. 	ODI; tenant(s); Port	Upon building occupancy.	TMP Coordinator	Ongoing during project operations.
<ul style="list-style-type: none"> ODI and the Port will provide premium passenger loading zone locations in the form of marked curbs. 	ODI; Port of San Francisco.	Design measures to be incorporated into project design; prior to issuance of a building permit.	Port	Upon design of marked curbs.
<ul style="list-style-type: none"> ODI will require tenants to utilize, when possible, car share programs such as Ride Share Match through 511.org. 	ODI; tenant(s).	Upon building occupancy.	TMP Coordinator	Ongoing during project operations.
<i>Parking Management</i> <ul style="list-style-type: none"> Parking will be unbundled from the leasing of commercial/office spaces. 	ODI	Design measures to be incorporated into project design; prior to issuance of a building permit.	Port, TMP Coordinator	Upon unbundling.
<ul style="list-style-type: none"> ODI and Port will charge market rates for all parking 	ODI; Port.	Ongoing during building operations.	Port; TMP Coordinator.	Upon pricing at market rate.
<ul style="list-style-type: none"> ODI will coordinate with the Port of San Francisco to designate appropriate loading and unloading passenger zones as well as 	ODI; Port.	Design measures to be incorporated into	Port	Upon design of color curbs

MITIGATION MONITORING AND REPORTING PROGRAM (Includes Text for Adopted Mitigation and Improvement Measures)				
MEASURES ADOPTED AS CONDITIONS OF APPROVAL	Responsibility for Implementation	Schedule	Monitoring/Report Responsibility	Status/Date Completed
<p>short-term parking zones to reduce congestion along 20th Street, Louisiana Street and Michigan Street. The Port will review and approve the final plan. The Port will approve the color curbs for this project.</p> <p><i>Walking & Pedestrian Safety</i></p> <ul style="list-style-type: none"> ODI will encourage future tenant employees to walk to work by providing wayfinding signage and clear and accessible information to walking maps. ODI will study dumpster and compost container locations and consider service and small truck delivery routes to reduce effects on pedestrian flow. ODI will coordinate with the Port to provide safe paths of travel for pedestrians along 20th, Georgia, Michigan, and Illinois Streets. The Port will review and approve the final plan. Primary pedestrian path of travel to Buildings 114/115/116 and Building 14 will be through the Atrium in Building 113 that will be publicly accessible. ODI will include in its subleases rules on loading and truck use of the plaza to minimize effects on pedestrians while supporting industrial tenant needs for truck loading and unloading. <p><i>Emergency vehicles</i></p> <ul style="list-style-type: none"> ODI will continue to coordinate with the Port Fire Marshal to meet turn-around requirements and coordinate emergency vehicle access with traffic and pedestrian flow. 	<p>ODI; Port; tenant(s).</p> <p>ODI; Port.</p> <p>ODI; Port.</p> <p>ODI</p> <p>ODI; tenant(s).</p> <p>ODI; San Francisco Fire Department.</p>	<p>project design; prior to issuance of a building permit.</p> <p>Design measures to be incorporated into project design; prior to issuance of a building permit.</p> <p>Design measures to be incorporated into project design; prior to issuance of a building permit.</p> <p>Prior to issuance of building permit.</p> <p>Design measures to be incorporated into project design.</p> <p>Prior to occupancy.</p> <p>Design measures to be incorporated into project design; prior to issuance of a building permit.</p>	<p>TMP Coordinator</p> <p>TMP Coordinator</p> <p>Port</p> <p>ODI; Port.</p> <p>TMP Coordinator</p> <p>Port; TMP Coordinator. ODI; San Francisco Fire Department.</p>	<p>Upon implementation of improvements.</p> <p>Upon consideration of optimal locations.</p> <p>Upon implementation of improvements.</p> <p>Upon implementation of improvements.</p> <p>Prior to building occupancy.</p> <p>Prior to building occupancy.</p>

Date: April 22, 2014

To: President Leslie Katz and Members of the San Francisco Port Commission

From: Central Waterfront Advisory Group

Re: Orton Development, Inc. (ODI) – Lease and Rehabilitation of 20th Street Historic Buildings – Pier 70

Dear President Katz and Honorable Commissioners:

The Central Waterfront Advisory Group (CWAG) strongly supports approval of ODI's lease and rehabilitation plan for the 20th Street historic buildings at Pier 70. We have confidence in Orton's knowledge of historic rehabilitation and their ability to successfully complete this daunting undertaking. The project will bring back to life an important urban resource and help create a vibrant new San Francisco neighborhood, a community nucleus and a magnet for social and economic vitality.

We commend the ODI team for the initiative they have shown in securing the site to reduce criminal behavior and lessen further deterioration of these precious assets, their flexibility in responding to unforeseen challenges, and their patience in dealing with a slow moving bureaucratic structure.

The community appreciates the sensitivity the plan shows in acknowledging the former uses of these buildings, by their proposed treatment of the physical space and their effort to incorporate adaptive reuses that blend historic and "New American Workplace" industrial and commercial activities.

Treatment and use of the only public open spaces available on the site is very important. As much of the space in these buildings will be occupied by privately oriented uses, with few opportunities to encourage public interaction, it is critical that maximum feasible public access be provided in the indoor lobby/atrium in Building 113 and in the outdoor plaza, in accordance with the desires of the State Lands Commission.

As the buildings are rehabilitated, privatization of the public open spaces by loading or private events should be strictly limited, and the atrium and plaza should be regularly and predictably welcoming to both Pier 70 tenants and the public to activate the area. We hope the Port and ODI will pursue development of alternative loading and delivery options so that the public open spaces are consistently available for public enjoyment.

We encourage the Port to expeditiously approve the project and look forward to working with ODI and the Port to provide our ideas and observations as the vision becomes reality.

Sincerely yours,

Corinne Woods
Co-chair, CWAG

Toby Levine
Co-chair, CWAG

April 21, 2014

Hand-delivered

Leslie Katz, President
San Francisco Port Commission
Port of San Francisco
Pier 1, The Embarcadero
San Francisco, CA 94111

RE: Pier 70 Historic Buildings

Dear President Katz and Members of the Commission,

On behalf of San Francisco Heritage (Heritage), thank you for the opportunity to comment on the proposed rehabilitation of the 20th Street historic buildings at Pier 70 by Orton Development Inc. (ODI). Although Heritage awaits details on the impacts of the seismic bracing scheme for Building 113/114, we strongly support the proposed reuse and rehabilitation of these long-vacant historic buildings that form the core of the newly-listed Union Iron Works National Register Historic District. We hope to receive clarification on the still-evolving seismic design for Building 113/114 before the May 13 Port Commission hearing so that we can offer our unqualified support for the project.

Heritage's Issues Committee has met the ODI project team three times, including a site visit to Pier 70 on February 19, 2013 that included several 20th Street historic buildings. We have also reviewed the Historic Resource Evaluations (HREs) and the Planning Department's response regarding the proposed treatment of buildings within the project site.

The Union Iron Works Historic District spans approximately 300,000 square feet on seven acres, with a combination of office and industrial significant structures built between 1885 and 1941. Buildings are not ADA compliant, lack fire protection, and have been damaged by heavy vandalism and weatherization over many years. Proposed building improvements include seismic, ADA, and life safety upgrades; new utilities; sprinklers; environmental conditions will need to be abated; and building exteriors, window, and roofs will be repaired and finished. Given the deteriorating state of the 20th Street historic buildings, we understand the urgency of this project and fully support their immediate stabilization.

The Issues Committee is awaiting updated digital renderings of Building 113/114 that accurately depict ODI's plans for seismic bracing and the insertion of new mezzanine

levels and a 6-24-inch floor slab. The current engineering drawings show six rows of cross-bracing that align with each crossing bridge on the first mezzanine level, which are not reflected in the latest digital rendering. Depending on its elevation, the proposed floor slab could impact the perception, experience, and some character-defining features of the building.

Because the interior volume of the space is an essential character-defining feature of Building 113/114, it is especially important that any proposed bracing scheme minimize the visual intrusion of vertical steel cross-bracing, minimize the footprint of the proposed mezzanine levels, and maximize the transparency of north-south connector bridges at the first mezzanine level (e.g., by employing semi-transparent steel grating instead of concrete and steel). Similarly, Heritage urges the project team to minimize the elevation of the new concrete floor slab, especially as it relates to window and door openings on the first floor.

Once we receive clarification on these design details, Heritage will be pleased to provide its final assessment of the project before the May 13 Port Commission hearing. In the meantime, should you have questions or concerns, please do not hesitate to contact Desiree Smith, preservation project manager, at dsmith@sfheritage.org or 415/441-3000 x11.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Buhler". The signature is fluid and cursive, with the first name "Mike" written in a larger, more prominent script than the last name "Buhler".

Mike Buhler
Executive Director
San Francisco Heritage



MEMORANDUM

May 9, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: Request approval of a Special Event in excess of 90-days at Port property at Seawall Lot 337 pursuant to Lease No. L-14980 between Port and China Basin Ballpark Company, LLC (Resolution No. 14-34); and Request approval of Revocable License No. 15810 for Port property at Terry A. Francois Blvd. between the Port and China Basin Ballpark Company, LLC to be used as a parklet for public benefit. (Resolution No. 14-35), both activities to be coterminous with Lease No. L-14980

DIRECTOR'S RECOMMENDATION: Approve Attached Resolutions

Executive Summary

Port staff is seeking approval of a multiple year special event at Seawall Lot 337 ("SWL 337") pursuant to the provisions of existing Port Lease No. L-14980 ("Lease") with China Basin Ballpark Company, LLC ("CBBC"). The Lease generally allows special events, but requires Port Commission approval for special events that exceed 90 days. The proposed special event would commence June 1, 2014 and end upon expiration or earlier termination of the Lease. The special event would utilize approximately 18,400 square feet (or 3%) of Seawall Lot 337 as shown on the attached Exhibit A.

Port staff also seeks approval for Revocable License No. 15810 with CBBC to allow for the use of Port property as a parklet for public benefit ("License"). The parklet comprises approximately 1,760 square feet of paved space along approximately 220 linear feet of curb space ("License Area") and approximately 8,048 square feet of paved space within Terry A. Francois Blvd ("Expanded License Area") as shown on the attached Exhibit B. Port staff proposes a fee waiver for the License as the parklet will provide a public amenity that benefits the Public Trust.

THIS PRINT COVERS CALENDAR ITEM NO. 12B

Background

On October 25, 2011, the Port Commission approved Resolution No. 11-68, approving the Lease which allows surface parking, special events and signage at SWL 337. CBBC is a tenant in good standing pursuant to Port Commission policy. The Board of Supervisor's approved the Lease by Resolution No. 85-12 and it became effective on April 1, 2012. The Lease expires on March 31, 2017.

CBBC now proposes modest surface improvements for portions of SWL 337 and Terry A. Francois Blvd. in support of a special event and parklet as further described below. SWL 337 currently provides surface parking for commuters, baseball games and other events at AT&T Park. Terry A. Francois Blvd. provides on-street metered parking except at times when there are events at AT&T Park during which periods the Municipal Transportation Agency closes Terry A. Francois Blvd. as a traffic control and public safety measure.

Proposed Special Event

CBBC's proposed special event ("Activation") will include temporary retail opportunities, including quick serve food and locally-made products, and an enhanced public realm with public seating, landscaping, and restrooms. The Activation will be subject to all the terms of the Lease and will be coterminous with the Lease. The following elements are proposed:

- Approximately 17,000 square feet of open space and landscaping to create a new public pedestrian area.
- Approximately 4,500 square feet of interior space for retailers and the public within two levels of repurposed shipping containers.
- An approximately 3,000 square foot deck and adjacent seating area, which will be open to the public. Some portion of the deck may be closed for ticketed events from time to time.

The Activation's total footprint at SWL 337 is approximately 18,400 square feet, or 3% of SWL 337. It will displace 70 parking spaces. The hours of operation of the Activation will depend on the day of the week, but will not begin earlier than 7:00 a.m. or end later than 11:00 p.m. consistent with the Port's good neighbor policy. Food and beverages will be sold, including beer and wine in designated areas only. The capacity of the Activation area will be approximately 700 persons.

The Activation will include four distinct areas:

1. a coffee and street food patio;
2. a pop-up local retail area;
3. a beer garden with substantial food offerings; and
4. an upstairs outdoor deck.

Occasional small-scale entertainment events, such as art performances, cinema-in-the-park, live or recorded music or stand-up comedy, may also occur within the Activation area (subject to regulatory permitting). Landscape elements and public areas will be

oriented to provide views of the Bay, and offer areas for passive or active recreation, family picnics and small gatherings. Public restroom facilities, including ADA accessible facilities, will be provided. The Activation area will be secured by a perimeter fence, and necessary back-of-house areas will be provided for waste stream sorting, storage, and other operational needs.

Proposed Parklet – open to public at all times

In order to facilitate the Activation, the Port and CBBC have negotiated License No. 15810, starting on June 1, 2014 with a term coterminous with the Lease. The License provides for approximately 1,760 square feet of Terry A. Francois Blvd. to be used as a parklet solely for public access. The parklet would consist of movable platforms within an area now occupied by 11 metered parking spaces on the south side of Terry A. Francois Boulevard ("License Area"). These moveable platforms will be improved with landscaping, seating and gathering spaces, similar to the City's "parklet" program.

During events at AT&T Park, the moveable platforms will be moved out into the adjacent approximately 8,048 square foot portion of Terry A. Francois Boulevard ("Expanded License Area"). Terry A. Francois Boulevard is currently closed to traffic before, during and after events at the AT&T Park, except for emergency ingress/egress. Under the Activation, a San Francisco Fire Department-approved emergency access lane will be maintained at all times, including when the Expanded License Area is in use. As with the proposed special event, under the License CBBC will maintain these improvements and indemnify the Port against any and all loss or liability.

Analysis

Placemaking

The primary goal of the Activation and parklet is to introduce a lively, year-round neighborhood presence south of the Mission Creek Channel. The growing Mission Bay and Central Waterfront community will benefit from this enhanced year round public asset, and Giants fans will enjoy the unique waterfront setting on game days. The Activation area will serve as a hub for visitors to meet up with friends, enjoy views of the ballpark and the Bay, and enjoy food and beverages in an intimate, uniquely San Francisco setting. The Activation and parklet areas will serve as a central gathering place for neighborhood residents and the South of Market/UCSF office community, and a happy hour destination for workers commuting from the peninsula using the nearby Caltrain station. The Activation and parklet will also provide cultural programming and opportunities for active recreation for weekend visitors, including families, picnickers and bicyclists.

Transportation and Parking

Access to the Activation area is and will continue to be provided via Third Street and Terry A. Francois Boulevard. Bridges located at the Third Street and Fourth Street crossings over Mission Creek provide pedestrian, bicycle, San Francisco Municipal Railway and vehicle access from the SOMA area and the Fourth and King Streets Caltrain station to the Activation area. Parking will be available on SWL 337, which is already used for paid public parking.

Security and Maintenance

The Activation and parklet will bring employees, visitors, vendors and others to SWL 337 on a daily basis between the hours of 7 a.m. and 11 p.m. serving to activate an isolated portion of the waterfront and enhance the safety of the area. CBBC currently employs around the clock security for both AT&T Park and SWL 337 and will continue to provide security to the Activation and parklet sites. CBBC will also maintain, operate and program the Activation and parklet areas at its own expense to ensure a safe and inviting environment. Use of the Activation area will be subject to the Rules for Special Events (good neighbor policies) and the Zero Waste Events and Activities Policy and all other requirements and obligations of the Lease.

Fee Proposal

Special Event

The Lease provides that CBBC shall propose and the Executive Director shall thereafter reasonably determine, the fee for any special event exceeding 90 days. At a minimum, the fee cannot be less than the Port Commission's minimum parameter rental rate for paved land, which for this site is approximately \$77,000 per year. In addition to meeting this minimum requirement, the Lease requires that CBBC perform due diligence to Port's satisfaction, that the special event does not displace parking revenue the Port could otherwise have expected to receive from the 70 parking spaces displaced by the special event, which CBBC has determined is approximately \$70,000 per year.

CBBC has analyzed the anticipated increase in parking revenues to the Port from patrons choosing to drive to the Activation site and park in SWL 337. These anticipated new parking revenues total \$150,000 per year. In light of these findings, Port staff has determined the Activation will not reduce existing Port revenues. However, recognizing the speculative basis of the anticipated parking revenues, in no event shall annual incremental Port revenues be less than the \$77,000 minimum parameter rental rate.

CBBC will make a significant investment in the improvements required for the Special Event and associated parklet. This investment is anticipated to be recovered from Activation revenues during the third year of operations and subsequently, CBBC will pay to Port 25% of all net annual Activation revenues in excess of the \$77,000 minimum parameter rental rate. Net Revenue is defined as all payments, revenues, fees or amounts received by CBBC for the use of the Activation area less the cost of possessory interest taxes. CBBC will include information about revenues from the Activation in its regular monthly and annual reports under the Lease.

License

With respect to the License for the parklet, CBBC has requested (and Port staff concurs) that the monthly license fee should be waived as the parklet will provide a benefit to the Public Trust based on the following: (1) the 11 displaced parking meters currently cannot be used during events at AT&T Park and do not otherwise generate significant revenue compared to the value of the proposed public amenities; (2) there are no other uses for the License Area or Expanded License Area that would generate rent to the Port; (3) no other uses would be displaced; (4) CBBC will not use the space for either commercial or exclusive use; (5) the Port will not be expending any harbor fund resources or revenues to support this use; and (6) there is direct benefit to the

Public Trust in that the parklet use will enliven the area, enhance the neighborhood area by attracting people to the waterfront, and provide public access and raise awareness of the waterfront and its public benefits and amenities.

California Environmental Quality Act and Chapter 31 Appeal Rights

On May 8, 2014, the San Francisco Planning Department issued a Class 3(c) categorical exemption from environmental analysis pursuant to the California Environmental Quality Act ("CEQA") for the Activation and the parklet activities. If the Port Commission approves the proposed special event and License through the attached Resolutions based on this categorical exemption, its action constitutes the "Approval Action" (as defined in S.F. Administrative Code Chapter 31, as amended, Board of Supervisors Ordinance Number 161-13). As such, the CEQA decision prepared in support of this Approval Action will be subject to appeal within the time frame specified in S.F. Administrative Code Section 31.16. Typically, an appeal must be filed within 30 calendar days of the Approval Action (for information on filing an appeal under Chapter 31, contact the Clerk of the Board of Supervisors at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, or call 415-554-5184).

With respect to the special event and License, the Planning Department's Environmental Review Officer has deemed the activities to be exempt from further environmental review and an exemption determination has been prepared and can be obtained on-line at <http://sf-planning.org/index.aspx?page=3447>. Under CEQA, in a later court challenge, a litigant may be limited to raising only those issues previously raised at a hearing on the project or in written correspondence delivered to the Board of Supervisors, Planning Commission, Planning Department or other City board, commission or department at, or prior to, such hearing, or as part of the appeal hearing process on the CEQA decision.

License Terms

The License uses the Port's standard form agreement and contains all current provisions regarding defaults and remedies, compliance with laws, insurance, indemnity and exculpation, and hazardous materials. Basic terms are shown below:

BASIC LICENSE INFORMATION

<i>License Number:</i>	15810
<i>Licensee:</i>	China Basin Ballpark Company, LLC, a Delaware Limited Liability Company.
<i>License Area:</i>	<u>Parcel A:</u> Approximately 1,760 square feet of paved curb space in Terry A. Francois Blvd. and; <u>Parcel B ("the Expanded License Area"):</u> Approximately 8,048 square feet of paved street space in Terry A. Francois Blvd.

<i>Commencement Date:</i>	June 1, 2014
<i>Expiration Date:</i>	This License shall expire upon the expiration (March 31, 2017) or earlier termination of Lease No. L-14980 between Port and Licensee.
<i>Background:</i>	<p>The parklet will be created and operated under this License in connection with a special event to be held on Seawall Lot 337 pursuant to Lease No. L-14980 between Port and Licensee. Provided that Licensee complies with all the terms of this License, the Port waives the use fees for use of the space because:</p> <p>(1) the 11 displaced parking meters currently cannot be used during events at the AT&T Park and do not otherwise generate significant revenue compared to the value of the proposed public amenities; (2) there are no other uses for the License Area or Expanded License Area that would generate rent to the Port; (3) no other uses would be displaced; (4) CBBC will not use the space for either commercial or exclusive use; (5) the Port will not be expending any trust resources or revenues to support this use; and (6) there is direct benefit to the Public Trust in that the parklet use will enliven the area, enhance the neighborhood area by attracting people to the waterfront, provide public access and raise awareness of the waterfront and its public benefits and amenities.</p>
<i>Security Deposit:</i>	Covered by security deposit under Lease No. L-14980.
<i>Permitted Activity:</i>	The License Area shall be used solely for the installation, maintenance, operation and removal of a moveable platform parklet that provides temporary fully accessible public open space and for no other purpose. During periods when Terry A. Francois Boulevard is closed to accommodate events at AT&T Park, the parklet may be moved into the Expanded License Area for the same purposes.
<i>Additional Prohibited Uses:</i>	<p>Licensee will be prohibited from using the License Area for any of the following activities:</p> <p>(a) Retail sales, sale or consumption of alcohol, and parking;</p> <p>(b) in any manner which unreasonably interferes with the use of any roadway or sidewalk not within the License Area by the public, other Port tenants or the Port; and</p>

	(c) Licensee may wash the License Area, but is prohibited from discharging any materials into the San Francisco Bay, including potable water, and must direct all wash water to the sewer.
<i>Improvements</i>	<p>Licensee anticipates installing the parklet improvements by August 1, 2014 Licensee will pay the entire cost for the parklet and will not receive or seek compensation or consideration for any improvements.</p> <p>The parklet Improvements shall be attractive and of good quality. Licensee shall not place any Improvements within the License Area without Port's and, at Port's election, the Waterfront Design Advisory Committee's, written approval of the design, size, color, position and method of attachment or installation of such improvements. All such improvements shall be designed, installed, operated and maintained so as to prevent any unreasonable interference with general pedestrian use of the sidewalk and to minimize any potential tripping or other hazards.</p>
<i>Signage</i>	Any signage is limited to that which provides public education or public information. No advertising or branding signage shall be allowed. All signage will undergo review and approval by the Port and may include acknowledgement of Port and License Area to produce the parklet but no other advertising, branding or business promotional purpose.
<i>Cure Period:</i>	24 Hours
<i>Utilities, Services Maintenance and Repair:</i>	Sole responsibility of Licensee—no exceptions

Recommendation

Port staff recommends that the Port Commission approve the attached Resolutions approving the Activation and License 15810 with China Basin Ballpark Company, LLC, a Delaware limited liability corporation, on such terms and conditions as described in this staff report.

By: Phil Williamson, Senior Project Manager
 For: Byron Rhett, Director of Planning and Development

Exhibit A Activation Area
 Exhibit B License Area and Expanded License Area

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 14-34**

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and
- WHEREAS, pursuant to Port Commission Resolution No. 11-68 and Board of Supervisor's Resolution No. 85-12, on April 1, 2012, Port and China Basin Ballpark Company, LLC, ("CBBC") entered into Lease No. L-14980 ("Lease") for a five-year term for surface parking and special events at Seawall Lot 337 ("SWL 337") which Lease requires Port Commission approval for special events exceeding ninety days; and
- WHEREAS, CBBC proposes to hold a special event for greater than 90 days on approximately 18,400 square feet (or 3%) of SWL 337 that would serve as a central gathering place and provide retail and cultural programming opportunities for neighborhood residents and visitors; and
- WHEREAS, the fee structure proposed by CBBC pursuant to Lease No. L-14980 has been determined by the Executive Director to be consistent with the Lease; and
- WHEREAS, upon CBBC's recovery of installation costs, Port will receive 25% of net revenues from the special event on the terms described in the Memorandum dated May 9, 2014 accompanying this Resolution; and
- WHEREAS, the S.F. Planning Department issued a Categorical Exemption for the special event on May 8, 2014 in compliance with the California Environmental Quality Act (CEQA) and the proposed action is the Approval Action as defined by S.F. Administrative Code Chapter 31; now, therefore be it
- RESOLVED, that the Port Commission approves the special event described in the Memorandum dated May 9, 2014 accompanying this Resolution and authorizes the Executive Director to take such actions (including the execution of agreements) as she deems necessary and advisable, in consultation with the City Attorney, to effectuate this approval and the purpose and intent of this Resolution, as conclusively evidenced by the Executive Director's actions, including allowing an expansion of the Activation area consistent with the terms of this Resolution.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of May 13, 2014.

Secretary

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

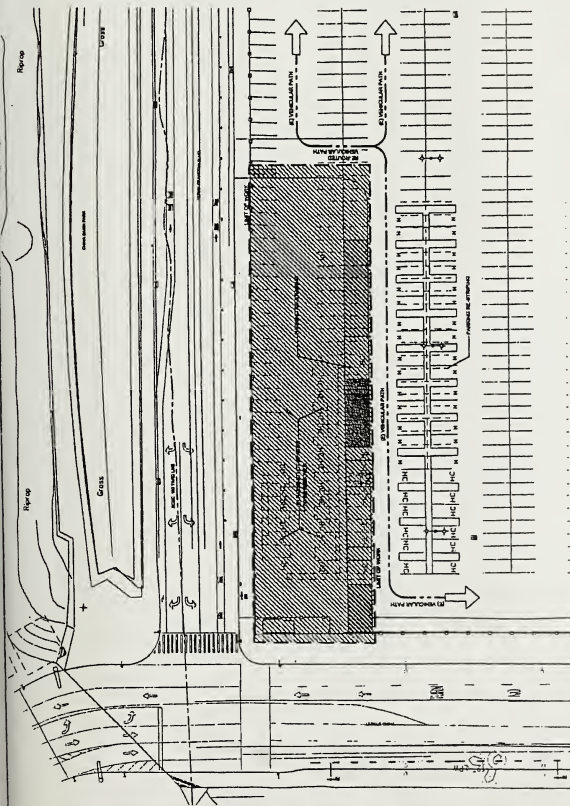
RESOLUTION NO. 14-35

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and
- WHEREAS, Pursuant to Port Commission Resolution No. 11-68 and Board of Supervisor's Resolution No. 85-12, on April 1, 2012, Port and China Basin Ballpark Company, LLC, ("CBBC") entered into Lease No. L-14980 ("Lease") for surface parking and special events at Seawall Lot 337 ("SWL 337"); and
- WHEREAS, Pursuant to Port Commission Resolution No. 14-34, on May 13, 2014, the Port Commission approved a special event known as the "Activation" on SWL 337; and
- WHEREAS, In connection with the Activation, CBBC proposes to install and operate a parklet, including landscaping, seating and gathering spaces on a moveable platform for the public's benefit and enjoyment on a portion of Terry A. Francois Boulevard; and
- WHEREAS, Port staff has negotiated a revocable license with CBBC, for a license area of approximately 1,760 square feet along Terry Francois Boulevard, expanding by 8,048 square feet in a portion of Terry A. Francois Boulevard when the street is closed for AT&T events ("License"); and
- WHEREAS, CBBC has sought and Port staff agrees that the fees for the License should be waived as the parklet will provide a benefit to the Public Trust based on the following: (1) the 11 displaced parking meters currently cannot be used during events at the AT&T Park and do not otherwise generate significant revenue compared to the value of the proposed public amenities; (2) there are no other uses for the area that would generate rent to the Port; (3) no other uses would be displaced; (4) CBBC will not use the space for either commercial or exclusive use; (5) the Port will not be expending any Public Trust resources or revenues to support this use; and (6) there is direct benefit to the Public Trust in that the parklet use will enliven the area, enhance the neighborhood area by attracting people to the waterfront, and provide public access and raise awareness of the waterfront and its public benefits and amenities; and

- WHEREAS, The S.F. Planning Department issued a Categorical Exemption for the License on May 8, 2014 in compliance with the California Environmental Quality Act (CEQA) and the proposed action is the Approval Action as defined by S.F. Administrative Code Chapter 31; now, therefore be it
- RESOLVED, that the Port Commission approves the License and authorizes the Executive Director or her designee to execute the License; and, be it further
- RESOLVED, that the Port Commission authorizes the Executive Director or her designee to enter into any additions, amendments or other modifications to the License that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the City or Port or materially decrease the benefits to the City or Port, and are necessary or advisable to complete the transactions which the License contemplates and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director or her designee of the License, and any such amendments thereto.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of May 13, 2014.

Secretary



1000 20th St. - 10th Floor
San Francisco, California
94104-1000

LOT A ACTIVATION PLAN San Francisco, California

Scale: 1" = 20' - 0"

North Arrow

1" = 20' - 0"

DATE: 10/1/10

REVISIONS:

NO.	DATE	DESCRIPTION
1	10/1/10	CONSTRUCTION

PROJECT NAME:

PARKING LOT RECONFIGURATION

PROJECT NO.:

00.03

EXHIBIT A

McCOVEY COVE

CHINA BASIN PARK

TERRY A. FRANCOIS BLVD

PARCEL B

PARCEL A

EXISTING FENCE LINE

PARCEL A = 1,760 Sq Ft

PARCEL B = 8,048 Sq Ft

SWL 337 PARKING LOT

THIRD STREET

EXHIBIT B

INITIALS: _____ PORT: _____ LICENSE: _____ DATE: _____

LICENSE NO.

15810

SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

LICENSEE

CHINA BASIN BALLPARK
COMPANY, LLC.

DRAWN BY: ECC

CHECKED BY: F. WILLIAMS

DATE: MAY 6, 2014

SCALE: 1" = 40'

PAGE CODE: NA

4033-00

SHEET NO.

OF

SHEETS



MEMORANDUM

May 9, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: Request approval of Memorandum of Understanding (MOU) M-15747 between the Port of San Francisco and the San Francisco Municipal Transportation Agency (SFMTA) for use of a portion of Seawall Lot 354 (also known as 1399 Marin Street) for general office, general warehouse, storage, related parking of SFMTA staff vehicles, maintenance and repair of SFMTA buses including fueling and washing of same, and for incidental directly related uses and for no other purpose for a term of seven years and a waiver of the security deposit

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

I. Executive Summary

On March 26, 2001 the Port entered into MOU M-13046 with the San Francisco Municipal Transportation Agency ("SFMTA") to allow for the use of a portion of Seawall Lot 354 (aka 1399 Marin Street) as a storage shop, parking and office facility. This facility is located in the southern waterfront off of Cesar Chavez, west of Third Street (see attached map). This MOU expired on May 31, 2006 and has been operating on holdover status since the expiration. There have been ongoing conversations and negotiations in the intervening period between Port staff and SFMTA staff regarding the future of the site. The reason for the protracted negotiations is that SFMTA wished to purchase the property from the Port and expand its uses on the site. The Port was not able to enter into a sale of the property due to public trust restrictions and the Port's desire not to expand uses on the site.

THIS PRINT COVERS CALENDAR ITEM NO. 13A

It is now the desire of both SFMTA and the Port to renew this MOU for its current use for a period of seven (7) years. Port staff also requests a waiver of the \$146,308.98 security deposit given that the tenant is another City department. SFMTA will continue the current use of the Premises for general office, general warehouse, storage, related parking of SFMTA staff vehicles, maintenance and repair of SFMTA buses including fueling and washing of same, and for incidental directly-related uses and for no other purpose.

II. Background

Since December 1998, SFMTA has been using Seawall Lot 354 under an MOU with the Port. The site was originally used to house a temporary operating division during reconstruction work at a nearby SFMTA facility. Most recently it has been used for storage, maintenance shop, parking and office. This is a 3.2 acre site that contains one warehouse, including an office area, fenced secured storage area and five portable trailers used for office space. The building consists of 25,145 square feet of open shed space which contains the maintenance shop area and 1,139 square feet of office space. The facility is operated on two eight-hour shifts during each business day. During non-business hours the facility is locked to prevent unauthorized access to the site.

This site is bordered by Marin Street to the north, Tennessee Street to the east, Tulare Street to the south and Indiana Street to the west. Across Marin and Tennessee Streets are commercial properties. Across Tulare Street is Islais Creek. Across Indiana Street is SFMTA's Islais Creek Motor Coach facility.

In executing this new MOU the rent will be reset to current Port Commission approved parameter rents and include updated environmental requirements to include an Operations Plan and financial assurances related to environmental compliance and spill response. The prior MOU did not contain provisions for annual increases but that language is included in this new MOU. Additionally, the Port has required SFMTA to submit an Operations Plan that provides the Port with stronger environmental risk mitigations, including the addition of an environmental security deposit.

III. New MOU

As a condition of this MOU, SFMTA is required to provide the Port an Operations Plan detailing the operations, including the storage and use of fuels and other hazardous materials on the premises, as well as environmental regulatory permits and best management practices to mitigate risk. Port staff has reviewed this plan and accepted it in satisfaction of the Operations Plan requirement.

In accordance with the terms of the existing MOU, SFMTA is a tenant in good standing. The new MOU additionally will require SFMTA to adhere to the Operations Plan as a tenant in good standing.

The permitted uses in the MOU are a continuation of the existing uses and are therefore covered under the General Rule Exclusion issued by City Planning on February 2, 2012 pursuant to the California Environmental Quality Act.

On Wednesday, April 30, 2014, Port staff presented the SFMTA MOU to the Southern Waterfront Advisory Committee for the continued use of 1399 Marin Street. The SWAC supported the use of 1399 Marin Street by SFMTA for the existing uses.

SFMTA is also subject to the Port's "Policy for Southern Waterfront Community Benefits and Beautification" which identifies beautification and related projects in the southern waterfront (from Mariposa Street in the north to India Basin) that require funding. Under this policy, SFMTA shall provide community benefits and beautification measures in consideration for the use of the premises. Examples of desired benefits include: (i) beautification, greening and maintenance of any outer edges of and entrances to the premises; (ii) creation and implementation of a community outreach and good neighbor policy to guide SFMTA's interaction with Port, neighbors, visitors and users; (iii) use or support of job training and placement organizations serving southeast San Francisco; (iv) commitment to engage in operational practices that are sensitive to the environment and the neighboring community by reducing engine emissions consistent with the city's clean air program, and use of machines at the premises that are low-emission diesel equipment and utilize biodiesel or other reduced particulate emission fuels; (v) commitment to use low impact design and other "green" strategies when installing or replacing stormwater infrastructure; (vi) employment at the premises of a large percentage of managers and other staff who live in the local neighborhood or community; (vii) use of truckers that are certified by the San Francisco Human Rights Commission as "local business enterprises" under the city's local business enterprise and non-discrimination ordinance (SF Administrative Code Chapter 14b, as amended); and (viii) use of businesses that are located within the Potrero Hill and Bayview Hunters Point neighborhoods. SFMTA agrees to provide the Port with documents and records regarding these activities upon Port's request.

IV. Proposed Terms

Term: Eighty four (84) months

Premises:

Parcel A:	111,949 square feet	yard area
Parcel B:	25,145 square feet	warehouse/shop area
Parcel C:	1,319 square feet	office area
Total:	138,413 square feet	

Fees: Rental fees are set in accordance with the Port Commission approved parameter rents with annual increases of 3% as set forth in the MOU.

Use: SFMTA shall use the Premises for general office, general storage, related parking of SFMTA staff vehicles, maintenance and repair of SFMTA buses including fueling and washing of same, and for incidental directly related uses and for no other purpose.

Security
Deposit:

Equal to two months' rent in the last year of the lease which equals \$146,308.97. Port staff requests a waiver, given that this tenant is another City department and the Controller's Office requests that City Departments not hold large dollar amounts for another City department.

Environmental
Deposit:

\$10,000.00*

Environmental
Risk Deposit:

\$50,000.00* refundable when environmental risk mitigating measures are completed (building of a containment berm around the above ground storage fuel tanks) pursuant to the Operations Plan

* Because these funds need to be readily available to respond to an environmental emergency and are of a lesser dollar amount, Port will retain this deposit.

Maintenance: Solely the responsibility of the SFMTA

Utilities: Solely the responsibility of the SFMTA

<i>Monthly Base Rent:</i>	Months	Sq. Ft.	Monthly Base Rate (per sq. ft.)	Total Monthly Base Rent
Parcel A:	1-12	111,949	\$0.35	\$39,182.15
Parcel B		25,145	\$0.85	\$21,373.25
Parcel C		1,319	\$1.35	<u>\$1,780.65</u>
				Total \$62,336.05
Parcel A	13-24	111,949	\$0.36	\$40,301.64
Parcel B		25,145	\$0.87	\$21,876.15
Parcel C		1,319	\$1.39	<u>\$1,833.41</u>
				Total \$64,011.20
Parcel A	25-36	111,949	\$0.37	\$41,421.13
Parcel B		25,145	\$0.90	\$22,630.50
Parcel C		1,319	\$1.43	<u>\$1,886.17</u>
				Total \$65,937.80
Parcel A	37-48	111,949	\$0.38	\$42,540.62
Parcel B		25,145	\$0.92	\$23,133.40

Parcel C		1,319	\$1.47	<u>\$1,938.93</u> Total \$67,612.95
Parcel A	49-60	111,949	\$0.39	\$43,660.11
Parcel B		25,145	\$0.95	\$23,887.75
Parcel C		1,319	\$1.51	<u>\$1,991.69</u> Total \$69,539.55
Parcel A	61-72	111,949	\$0.40	\$44,779.60
Parcel B		25,145	\$0.98	\$24,642.10
Parcel C		1,319	\$1.55	<u>\$2,044.45</u> Total \$71,466.15
Parcel A	73-84	111,949	\$0.41	\$45,899.09
Parcel B		25,145	\$1.00	\$25,145.00
Parcel C		1,319	\$1.60	<u>\$2,110.40</u> Total \$73,154.49
Security Deposit			\$146,308.98	Requesting waiver

V. Recommendation

Port Staff recommends that the Port Commission approve the Memorandum of Understanding No. M-15747 between the Port of San Francisco and the San Francisco Municipal Transportation Agency for the rental of Seawall Lot 354 (aka 1399 Marin Street) for general office, general warehouse, storage, related parking of SFMTA staff vehicles, maintenance and repair of SFMTA buses including fueling and washing of same. This item is brought before you as the seven (7) year term exceeds the Port Commission delegation authority of a five (5) year interim term. Staff also recommends the waiver of the \$146,308.98 Security Deposit. This MOU is also subject to SFTMA Board of Directors' approval.

Prepared by: Susan Reynolds
Deputy Director, Real Estate

Attachments: 1) Location Map
2) Site plan

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-36

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and
- WHEREAS, under Charter Section B3.581, leases granted or made by the Port Commission shall be administered exclusively by the operating forces of the Port Commission; and
- WHEREAS, since December 1998, SFMTA has been using Seawall Lot 354 under an MOU with the Port; and
- WHEREAS, San Francisco Municipal Transportation Agency (SFMTA) wishes to enter in to a new Memorandum of Understanding (MOU) with the Port for the rental of Seawall Lot 354 (aka 1399 Marin Street) for general office, general warehouse, storage, related parking of SFMTA staff vehicles, maintenance and repair of SFMTA buses including fueling and washing of same, and for incidental directly related uses and for no other purpose for an additional seven (7) years at market rates; and
- WHEREAS, the Port is willing to enter in to a new MOU on the terms and conditions memorialized in MOU No. M-15747 on file with the Port Commission Secretary and summarized in the Memorandum dated May 9, 2014; and
- WHEREAS, the Port wishes to waive the \$146,308.98 security deposit given that the tenant is another City department; and
- WHEREAS, the Port has received and approved an Operations Plan for activities on the site; and
- WHEREAS, SFMTA is a tenant in good standing; and
- WHEREAS, SFMTA is subject to the Policy for Southern Waterfront Community Benefits and Beautification; and
- WHEREAS, the permitted uses in the MOU are a continuation of the existing uses and are therefore covered under the General Rule Exclusion issued by City Planning on February 2, 2012 pursuant to the California Environmental Quality Act; now therefore be it;

- RESOLVED, that the Port Commission hereby approves MOU No. M-15747 with the SFMTA and the waiver of the security deposit; and be it further
- RESOLVED that the Port Commission directs the Executive Director to work with the SFMTA staff to obtain approval of the MOU from the SFMTA Board of Directors; and be it further
- RESOLVED that following approval by the SFMTA Board of Directors, the Port Commission authorizes the Executive Director of the Port, or her designee, to execute the MOU in substantially the form on file with the Port Commission Secretary; and be it further
- RESOLVED that the Port Commission authorizes the Executive Director to enter into any additions, amendments or other modifications to the MOU that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port or materially decrease the public benefits accruing to the Port, and are necessary and advisable to complete the transaction and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of any such documents.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of May 13, 2014.

Secretary



EXHIBIT A

INITIALS: PORT: _____ LICENSEE: _____ DATE: _____

SAN FRANCISCO
MUNICIPAL RAILWAY
YARD AREA = 111,949 Sq Ft
WAREHOUSE = 25,145 Sq Ft
OFFICE AREA = 1,319 Sq Ft

INDIANA ST

TENNESSEE ST

1399 MARIN ST (AKA: SWL 354-WEST)

OFFICE AREA
1,319 Sq Ft

WAREHOUSE
25,145 Sq Ft

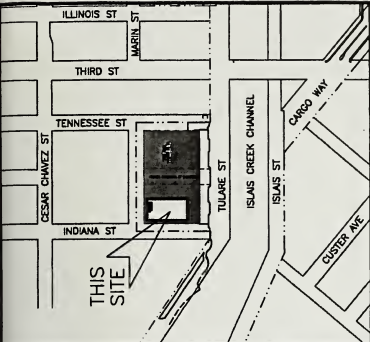
FORMER MINNESOTA ST (VACATED)

YARD AREA
111,949 Sq Ft

LINE OF PORT JURISDICTION

TULARE ST

ISLAIS CREEK CHANNEL



MOY NO.

M-15747

LICENSEE

SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

SAN FRANCISCO
MUNICIPAL RAILWAY

DATE: NOV 6, 2013

DRAWN BY: DCC

CHECKED BY: J. BAUER

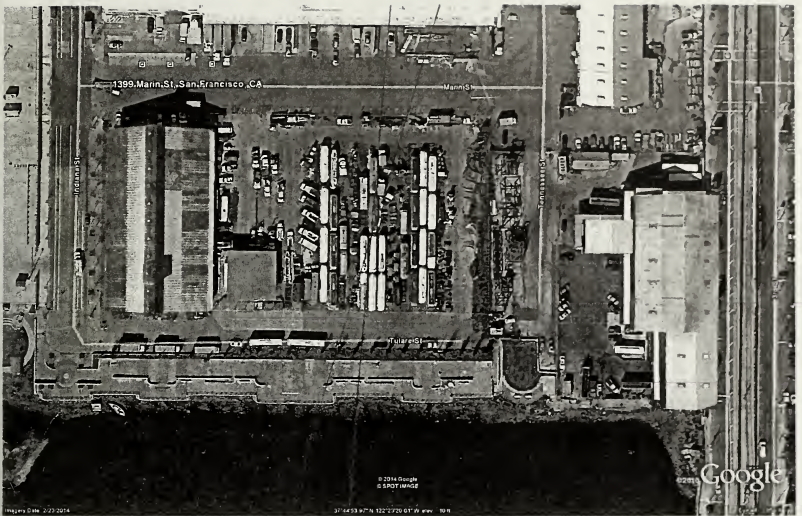
PLACE CODE NO.

3540-LAND1

SHEET NO.

OF 34

THIS MAP IS NOT VALID UNLESS USED IN CONJUNCTION WITH THE CITY OF SAN FRANCISCO'S PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING'S PORT OF SAN FRANCISCO MAP NO. 15747



1399 Marin Street

Attachment 1 - Location Map



SAN FRANCISCO PORT COMMISSION

**MAY 13, 2014
MINUTES OF THE MEETING**

MEMBERS, PORT COMMISSION

HON. LESLIE KATZ, PRESIDENT

HON. WILLIE ADAMS, VICE PRESIDENT

HON. KIMBERLY BRANDON

HON. MEL MURPHY

HON. DOREEN WOO HO

GOVERNMENT
DOCUMENTS DEPT

MAY 23 2014

SAN FRANCISCO
PUBLIC LIBRARY

MONIQUE MOYER, EXECUTIVE DIRECTOR

AMY QUESADA, COMMISSION SECRETARY

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING MAY 13, 2014

1. CALL TO ORDER / ROLL CALL

Port Commission President Leslie Katz called the meeting to order at 2:03 p.m. The following Commissioners were present: Leslie Katz, Willie Adams, Kimberly Brandon, and Mel Murphy. Commissioner Doreen Woo Ho arrived at 2:05 p.m.

2. APPROVAL OF MINUTES – April 22, 2014

ACTION: Commissioner Adams moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; the minutes of the April 22, 2014 meeting were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

ACTION: Commissioner Adams moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

At 2:04 p.m. the Commission withdrew to executive session to discuss the following:

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING AND ANTICIPATED LITIGATION MATTERS (Discussion and Action Items):

- a. Discuss anticipated litigation matter pursuant to California Government Code Section 54956.9(d)(2) and (d)(4) and San Francisco Administrative Code section 67.10(d)(2):

 X As Defendant

 X As Plaintiff

Discussion and approval of Yosemite Slough Superfund Site Mediation Agreement ("Mediation Agreement") between Port, as a potentially responsible party ("PRP") named by the U.S. Environmental Protection Agency and therefore potentially liable under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA") for cleanup of contamination at Yosemite Slough ("Site"), and any number of other named PRPs for the Site that sign the Mediation Agreement that: (i) allows Port to participate in a non-binding mediation process with a third-party neutral mediator in an attempt to fairly and

equitably allocate potential liabilities among other PRPs that agree to the Mediation Agreement (and to withdrawal from such participation upon notice); (ii) provides that, during the term of Port's participation in the Mediation Agreement, Port will not pursue any claims or causes of action relating to the matters the Mediation Agreement is designed to resolve against other signatories and will toll the statute of limitations on such claims by other signatories; and (iii) includes other terms as set forth in the Mediation Agreement on file with the Port Commission Secretary.

- b. Discuss existing litigation matter pursuant to California Government Code Section 54956.9(d)(2) and San Francisco Administrative Code Section 67.10(d)(2):

Claim of Vortex Marine Construction, Inc. ("Claimant"), San Francisco Administrative Claim No. 04-01348, filed December 19, 2013.

Discussion and approval of proposed settlement of Government Code Claim against the Port on the following terms: (i) Claimant's full release of claims arising from Port Contract No. 2727, Pier 43 Bay Trail Link Project, in exchange for payment by the Port to Claimant in the amount of \$1,414,514; (ii) Claimant's agreement to a voluntary "cooling period" during which Claimant will not bid as a prime contractor on Port projects for three years after Commission approval of the settlement; and (iii) Claimant's agreement to a voluntary "cooling period" during which Claimant will not bid as a subcontractor on Port projects for six months after Commission approval of the settlement. A copy of the proposed settlement agreement is on file with the Port Commission Secretary.

5. RECONVENE IN OPEN SESSION

At 3:20 p.m., the Commission withdrew from executive session and reconvened in public session.

ACTION: Commissioner Brandon moved approval to adjourn closed session and reconvene in open session; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

Commissioner Adams disclosed that in closed session, the Commission voted 5-0 to approve the Yosemite Slough Superfund Site Mediation Agreement described in Agenda Item 4.A.(1)(a). The Commission also voted 5-0 to approve the Settlement Agreement with Vortex Marine Construction, Inc. described in Agenda Item 4.A.(1)(b).

ACTION: Commissioner Brandon moved approval to not disclose anything discussed in closed session. Commissioner Adams seconded the motion. All of the Commissioners were in favor.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS – The Port Commission Secretary announced the following:

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

9. EXECUTIVE

A. Executive Director's Report

- Introduction of new Chief Harbor Engineer, Eunejune Kim

Monique Moyer - It is my honor to introduce to you our new Chief Harbor Engineer Eunejune Kim. Eunejune is a Civil Engineer of over 20 years. He is currently the City Engineer of the City of San Bruno where he has developed infrastructure master plans, managed extensive capital improvement programs for their public buildings which included their water, wastewater and storm water systems as well as many roadways and pedestrian access ways.

He probably has a really amazing knowledge of utilities, particularly gas utilities at the moment from his tenure in San Bruno. He's also worked for a total of five municipalities and the state of California and so over time he's become extremely familiar with the crucial role that Chief Engineer needs to play in balancing the infrastructure management practices with the communities and the type of infrastructure needs and long-term planning needs that each community has.

Lord knows the Port has infrastructure needs and long range planning needs in the area of infrastructure. Eunejune is a San Francisco and Bay Area native. He has his civil engineering degree. He has a Bachelor's degree from UC Davis and a Masters from the San Jose State University. He's registered as a civil engineer, traffic engineer, and land surveyor. For the purposes of the public record, at the Port Commission's Executive Closed Session on April 22, 2014, the Port Commission unanimously confirmed his appointment as Chief Harbor Engineer pursuant to the City's charter.

I would like to introduce Eunejune and invite him to say a few words. Eunejune is very dedicated to his public service. He's going to help the City of San Bruno transition and he will be joining us at the end of June so we're really looking forward to that.

Eunejune Kim - Thank you very much Monique and good afternoon Commissioners and public. I'm very happy to be here. I was born and raised in the Bay Area, grew up in San Jose. San Francisco's always been the place that you'd come to for activities and entertainment and to weddings, so I'm familiar with San Francisco but I never knew that there was a separate Port entity even though I run along this area and enjoy the parks and facilities but when I first found out about this job, it was a cold call while I was at my office in San Bruno.

I was forwarded the information, I didn't really respond and then they called back again and said, "You should consider this. It's a once in a lifetime opportunity." The more I looked into it, it is a one-in-a-lifetime opportunity. It's one of the last developable areas of San Francisco and it has so much to offer and so much to give to the culture and the community that I'm very excited. I can't wait to get started and be a productive team member.

Commissioner Katz - Welcome we're thrilled to have you joining us and you haven't heard me say this before but I often say that the Port has amongst the best staff in the City, no offense to some of the other Departments Heads that are here. You'll be pleased to find not only is it a wonderful area here but it's also a wonderful team to be working with and I know everyone's very excited to have you joining the team and we look forward to working with you.

Monique Moyer - Thank you Eunejune. I would like to say publically again my gratitude to Prasad Uday. Uday has had the pleasure since June of serving the dual role of acting Chief Harbor Engineer as well as the Head of our Infrastructure Group. You've heard me say it before but his work and his institutional knowledge has been unparalleled.

He is a very large reason that we have performed so valiantly on all of the different attributes that we needed to deliver for the America's Cup including the ability to come out of the box and generate some savings. He now, more than anyone, has studied Piers 30-32 probably 25 or 30 times since 1985 when the facilities burnt and it's probably the most knowledgeable person on Piers 30-32.

He has been just terrific in his leadership and his dedication and the long hours that it took to do both jobs. I know that his Port colleagues just adore him and so please join me in thanking Uday. Thank you, Uday.

Commissioner Katz - Thank you, Uday.

- Hi Dive Restaurant Ten Year Anniversary – May 1, 2014

On May Day, the Hi Dive restaurant at Pier 28 celebrated its 10th anniversary. I can't believe how fast time has flown. I don't know if any of you were able to be there for their opening but I will never forget the image of owner John Caine diving off of a diving board into the Bay in recognition of the great Hi Dive name.

Last year, the Hi Dive was named one of the 15 best dive bars in San Francisco by SFist which is an interesting dedication to its history. It was Boondocks up until two years before it opened as Hi Dive. The owner of Boondocks retired and sold his business. The new owners, John Caine, Pat McCune and Brett Klinker, came in, renovated it and rebranded it as the Hi Dive. Boondocks was a well-known dive bar at the Port of San Francisco.

It had gotten its start during the building of the Bay Bridge much like Red's had. It's an institution and we're proud that John and his partners have been able to maintain it as a best dive bar in all of San Francisco. My thanks and congratulations to John, Pat and Brett and also they held a 10th anniversary party and raised funds for the Leukemia and Lymphoma Society which John is very active in and John and his family are native San Franciscans. Congratulations to Hi Dive.

- Slanted Door – Named the Nation's Outstanding Restaurant by the James Beard Foundation

Going from best dive bar to the nation's best restaurant, just last week the James Beard awards were announced for restaurants nationwide. The James Beard Awards are the Oscars, for restaurants in all kinds of categories. Slanted Door won for the Nation's Most Outstanding Restaurant which according to the James Beard Foundation means that they serve "as a national standard bearer for consistent quality in food, atmosphere and service." To qualify to be eligible, you have to have operated for at least 10 years or more, and consecutive years.

We're very proud of the Slanted Door and owner Charles Phan for winning the best prize through the James Beard award for his business right here in the Ferry Building. Congratulations to Chef Phan and everyone involved so hopefully he's got 10 more great years coming down the pike.

- Coqueta – Finalist for Best New Restaurant by the James Beard Foundation

Also making the James Beard award is Coqueta which earned one of the five very coveted slots for Best New Restaurant which is a great coup for them. They were in company with Betony of New York, Carbone of New York, Estela of New York and Pêche Seafood Grill of New Orleans. Coqueta is the only West Coast restaurant to make the list and we're very proud of them.

You may recall that just last year Chef Michael Chiarello was named as Esquire's Chef of the Year and Coqueta at Pier 5 was named as Esquire's 20 Best New Restaurants of 2013. Now they've moved even higher into the top five so we're very proud of their efforts as well. Congratulations to Chef Chiarello and everyone else at Coqueta.

- Port Revenue Bonds, Series 2014, Credit Rating & Sale Update

We are looking forward to issuing a new set of Port Revenue Bonds. We've been working for several years to create that capacity to be able to borrow funds through our Revenue Bond Program for much needed improvements at the Port of San Francisco. We recently met with the three rating agencies that rate the Port's Bonds: Moody's Investment Services, Standard & Poor's and Fitch Ratings.

They rated our last series of bonds which were our 2010 bonds and they have now rated our new series of bonds which will be known as the 2014 bonds. Moody's Investor Service gave us an A1 rating which is the equivalent of an A+ and a stable outlook. Standard & Poor's gave us an A-rating but with a positive outlook. They changed their outlook from 2010 to 2014 from stable to positive. Traditionally positive means that it signals to the marketplace that over the next three years they're looking to make a rating change.

When you're positive it means they're looking to see if they can bring your rating up and of course when you're negative, you're probably looking to be downgraded. We're very excited about the potentiality of bringing our Standard & Poor's rating to a solid A. Fitch Ratings rated us a solid A with a stable outlook. We had very good conversations with all three rating agencies.

The presentations to the agencies were made by Elaine Forbes, our CFO, Nadia Sesay the Director of Public Finance for the City, myself, many of our financial analysts through the organization and some of our Deputy Directors. We thought too that the surveillance reports that they issued this year were more positive than we've seen in the past. They still remain concerned with the immense capital needs of the Port but they feel that the Port Commission in particular, by setting the designated capital policy, is taking affirmative actions to address that and they like what they seeing.

We're very excited about our new ratings. If all goes well, we will be entering the market on Thursday, May 15, 2014 to sell the 2013 bonds with an anticipated closing date two weeks later on May the 29, 2014. So far, the marketplace is moving in the right direction for borrowers and we're very excited about that and we want to lock in and have the marketplace move up so we can make money back on our other investment holdings. Wish us luck and I'm sure we'll be reporting back on how the sale goes.

- Report on Southern Waterfront Advisory Committee's review of Recology Lease Option

At the last meeting, Commissioner Kim Brandon requested the Port present the Recology option lease extension to the Southern Waterfront Advisory Committee. We apologize for not having done that sooner, but we did make the presentation on April 30, 2014. The Southern Waterfront Advisory Committee was supportive of the proposed lease option. They don't actually vote up or down but they give feedback and comments. They commented that Recology is a well-operated facility and it provides benefits to the City and the community and they particularly like the community benefits Recology has brought along with beautification but most importantly, the use of local businesses, local hiring.

Commissioner Brandon, thank you for pointing out that oversight and SWAC has given us a positive review on that. At the same meeting they heard an item that's on today's calendar which is an MOU with San Francisco Municipal Transportation Agency and we'll be reporting on that later on our agenda. We had a very good meeting with the Southern Waterfront Advisory Committee.

Commissioner Brandon - Thank you.

Monique Moyer - Thank you and apologies for the oversight.

- 9TH Annual Uncorked Wine Festival – May 17 at 1 p.m. at Ghirardelli Square

This Saturday, May 17, 2014 at 1:00 p.m. marks the ninth annual Uncorked Wine Festival at Ghirardelli Square. The wine festival benefits Save the Bay and it will be held from 1:00 to 6:00 p.m. at Ghirardelli Square. The admission is \$55 per person which includes unlimited tasting and souvenir wine glass. They will be presenting 50 top tier wineries, live bands and great food from Off the Grid. If anybody's free on Saturday, head to Ghirardelli Square.

- The Lost Boat Ceremony – May 26, 2014 at 10 a.m. at Pier 45

On Memorial Day, the San Francisco Maritime National Park Association, the crew of the U.S.S. Pampanito and the Submarine Veterans of World War II will be hosting their annual Lost Boat Ceremony. This is a ceremony where they honor their comrades and submarines lost at sea. The ceremony features 52 bell tolls for each boat and each crew lost at sea and on eternal patrol. The ceremony is free and open to the public and will take place on May 26, 2014 at 10:00 a.m. at Pier 45 and it's a really wonderful event. If any of you can go, I highly recommend it.

- In Memoriam - John Legnitto, Vice President & Group Manager, Recology
Most everybody knows, we lost another colleague, a gentleman named John Legnitto who has been with Recology, our Port tenant for a very long time. John was the Vice President and Group Manager of Recology. Unfortunately he passed away in late April and left behind his wife of 33 years and three amazing, loving children.

There was a funeral mass held for him approximately a week ago which was quite touching. His children did the eulogy and they were very impressive. He would've been extremely proud. There was a lot of discussion about food. John loved his food. We had a good time listening to all of that.

In addition to working for the Recology, he chaired the San Francisco Chamber of Commerce and he served on the Board of Clinic by the Bay. He has been the big friend for all of us that have worked in City Government for a very long time. The first thing you always noticed about John was his infectious laugh and smile and no day was a bad day for him even in the midst of his battle with cancer.

We've unfortunately lost yet another stalwart of our era and he will be missed. With your permission Commissioners, I would recommend adjournment in memory of John Legnitto today if possible.

Brad Benson, Special Projects Manager - I wanted to add to Monique's words about John Legnitto. He was somebody that I had the pleasure of working with before coming to the Port. John was an amazing guy. He had incredible ethics. He led Recology to be the environmental leader that it is. We've had a couple of big negotiations with him. He always treated the Port as a public agency partner with great respect. He viewed business as not business but as a part of community. If you take a look at what Recology did at Pier 96 and at the sustainable crushing site, they used those business opportunities as a chance to train people from the local neighborhood. John was everywhere in San Francisco with the Chamber and other organizations that he was active with. We will miss him greatly.

Susan Reynolds, Deputy Director for Real Estate - I'd also like to express my condolences of the loss of John. He's leaving a big hole in the community. It always seemed like wherever I went, John had either been there, was there or he was going to be there. He was always with a laugh and a smile. He was a great community benefactor and I never heard him complain. From leadership San Francisco to the Chamber of Commerce to Port events to Fisherman Wharf events, he always participated. He gave generously of both of his time and his finances. We'll miss his good nature and generous spirit and my sympathies to his family and the Recology family.

B. Commissioners' Report

Commissioner Katz - As was mentioned earlier, the Hi Dive celebrated its 10 year anniversary but that's not actually the only one around celebrating 10 years. I wanted to point out that we're now celebrating the 10th anniversary of our Executive Director being here with the Port.

Monique Moyer - Thank you.

Commissioner Katz - Not that people are going to be jumping off of diving boards in honor of that this time but I wanted to take a moment to thank you for all that you've done during your tenure here. You have, sorry for the bad pun, righted a ship and really have led with a steady hand at the helm. You're beloved by your staff. You've brought a tremendous amount of expertise to the position.

You've always had such a calm, steady demeanor with staff, with the public, with community and with the Commissioners and you have overseen just a tremendous number of projects and changes and activities that's gone along the waterfront during your time. I want to take a moment to highlight just a few. The Heron's Head Park improvements and Ecocenter that's now there with an Ecocenter that's a model for so many, the promenade on Pier 43, the Brannan street wharf where we did the ribbon cutting just a year ago.

Certainly the Exploratorium at Piers 15 and 17 coming on that you're tremendously proud of and you should be. It's just a spectacular building and was just an incredible project. The Pier 27 cruise ship terminal which we'll have the ribbon cutting in September but it's near final. The Jefferson Street improvements that have gone along and so many other improvements on Fisherman's Wharf. Now we have the Pier 70 historic buildings that we'll hear a little bit more today. A little personal favorite of mine, Bayview Rise, the art mural at Pier 32 and the Blue Greenway that's been planned and had some groundbreaking at different sites that we'll see how spectacular it is.

I also want to take time to thank you for always being there and whatever crazy questions I might have and I'm sure my colleagues probably feel similarly about what's going on, always responding to whatever issue is coming up and being such a tremendous leader for the Port so I want to congratulate you and thank you for your ten years of service here.

You're always giving everyone else plaques and awards so we now have one for you. Monique Moyer, Executive Director, in Recognition and Appreciation of your Exemplary Stewardship and Dedicated Service, 10 Years at the Helm.

Monique Moyer - Thank you. You've just proved I don't know everything apparently. I did not see that coming.

Commissioner Katz - As you noted too, it was kept secret from you. I want to thank the staff and Renée Martin in particular for helping coordinate the plaque and getting all this ready.

Monique Moyer - Thank you.

Commissioner Brandon – I've been here through your whole 10 years. I've seen a lot more than everyone else and I want to thank you for your leadership. Despite all the projects that President Katz just mentioned, you have just done an amazing job with the organizational and operational structure of the Port. You've hired great staff and been able to retain most of them. You've made such tremendous changes here at the Port. I want to thank you for your leadership, your friendship and just for being a wonderful person.

Monique Moyer - Thank you that means a lot.

Commissioner Adams - I believe it was seven years ago when I came from Seattle and I had met you. Managers are plenty but you are a true leader. You're firm but you're fair. One thing I like about you, you're not afraid to make a decision. You don't care if you piss people off. You show the backbone and you do us right. You have a moral compass and it's tough to be an Executive Director. If you look around the country, there are about six openings right now of Port Directors that they're looking for good people. The average life of a Port Director is usually about three years. You've been here 10 and you've got the confidence of this community, the Mayor and even of this Commission. You do us right. You've embraced diversity. You care about this community and you've really shown your "caringness" for your staff and you're engaged.

For a person that came from your background, Economics, you've really transformed your whole way of thinking and this renaissance that we have on this waterfront, especially this cruise terminal. Ten years ago, you appointed me to that advisory committee, and we never thought that we'd ever have a cruise terminal. It was through your perseverance, you and Peter Dailey, it seems like it took like 20 years but it's happening.

I want to thank you. I consider you a friend. When you say something, you're very honest. You give people your word, you're up front. You don't talk behind people's back. People always know where they stand with you and I respect that. That's principles of people and you do have the courage. President Obama could use some of your courage. Step up, because you make the tough decision. Thank you.

Monique Moyer - Thank you very much.

Commissioner Murphy - Great job, Monique.

Monique Moyer - Thank you.

Commissioner Murphy – I can't add very much more than what has just been said but you've always been great for your response, telephone, text, whatever and I have any questions, you've been really great. You're probably one of the hardest working people I know. Your husband, kids, you manage all of that and you always seem to show up everywhere. It's just incredible. Here's to the next 10 years.

Monique Moyer -Thank you. Cheers!

Commissioner Woo Ho - Well, it's hard to be last. Everything has been said. I guess besides Commissioner Murphy, I probably have had the shortest tenure in working with you but I had a very intense two years when I was president of the Commission and we worked very closely together. I won't say that it was easy at the beginning but we learned a lot from each other.

We worked very hard and we have seen a lot of results, both in terms from your leadership and from the staff and also it was just a huge period of so much going on at the Port and it was such a balancing act between what we do with the open space, with responding to the community, having to deal with the America's Cup, having all the development projects. Every time we did talk, you always handled it with a lot of finesse and a lot of calm.

Over time you have grown as a leader, as you know I've told you directly and personally. I have had the great satisfaction of seeing you grow in your leadership during this period of time because the Port has required ever more over the 10 years. I can't say over the entire 10 years, but at least in the last few years, it's required a tremendous amount of leadership to balance everything. To be able to juggle everything from the people to the projects to the unexpected which we get every single day in terms of things that change.

You've learned to roll with the punches and you've learned to work with each one of us on the Commission and we are all different personalities. We bring different things to the table in terms of how we want to direct you and the staff and I've seen a change in you in this time and period and you commended on some of the things that I did at the January Commission. It's my turn to commend back to you in terms of the things that we've done together.

This is not to take away from anybody else has said so far but to add on to it. As Commissioner Murphy has mentioned, the runway ahead of you is enormous, so we're not going to look just to the past 10 years. We're looking for more transformation and renaissance at the waterfront. The challenges never seem to go away, in some cases they get more. We're all going to see more coming but we'll work within the constraints that we're given and we will make this a great City in terms of the waterfront and you are a tremendous part of that to make that happen. We're very proud to have you as our Executive Director. Thank you.

Commissioner Katz - You've heard all of our sentiments. We're all in agreement that we feel very lucky and privileged to be working with you at this time. I've actually known you longer than any of my colleagues as when we were at City Hall together. I just want to thank you for everything that you do for the Commission, for all the staff, for the Port and for the City of San Francisco. We're really all so lucky to have you here and I think you see that that's the sentiment we all want to express to you. Thank you.

Monique Moyer - Thank you. This is unprecedented as far as I know. I can't remember a department head being recognized on an anniversary, usually on an exit. So I'm not sure yet what to make of that.

Commissioner Katz - We're trying to avoid an exit, so we figured we better do it now.

Monique Moyer - Thank you for that reassurance. I would've loved to have had a little knowledge so I could've prepared my remarks but it's been a very long journey. Commissioner Woo Ho said it best, when I was appointed into the position, I had a résumé and a skill set that looked nothing like what I thought a Port Director needed to look like and I got a lot of community feedback that was pretty true.

It was with the support of the Port Commission, Commissioner Brandon in particular and all of you and the Commissioners along the way and also the support of the community that just loves this Port so much and was ripe and ready for a transformation that we've battled through. The job did not come with a manual. I'm not sure how to write a manual for it but I'd sure love one. It did come with the best staff in the City which I like to think is a little known secret but Commissioner Katz keeps outing them which usually means they get ripe for being picked off and taken away, lured away to some of our bigger departments. The Port has become very near and dear to my heart because of the community that it represents and because of its long history and impact with San Francisco and what San Francisco is defined by and then the opportunity to continue to define San Francisco for the future, for my children's future.

I'm learning on the job every day. It prepares me well for being a parent now that I have a child that's driving, I'm using a lot of my skill as Port Director to maintain my equilibrium.

Commissioner Katz - That means tying things to the piers?

Monique Moyer - We need fenders on the car beyond those that are already there. But in all seriousness I'm touched beyond words and I couldn't be more grateful to the team that I have and the new team I have and I consider my pal Corinne back there and Stuart and so many others in the room to be part of the Port family as well and we're really very lucky and I look forward to many more years of in sailing in the right direction.

Thank you all very much and thank you for this tremendous honor. Cynthia, have you ever seen such a thing as a Department Head? Well thank you, right back at you. It's also Nadia Sesay's 10 year anniversary running the Department of Public Finance. I'm very happy for her in that role as well. Thank you.

Commissioner Brandon - I have one item. Yesterday in the mail, I received a flyer. It says, "More parking losses for us. Our neighborhood between Evans and Arthur, West of Third Street has been growing with new public and private jobs. We also have been losing parking to the bike path on Cargo Way and the creation of the T-Line on Third Street. Now the San Francisco Port Commission and the Fine Arts Commission are planning to eliminate the 25 parking spaces adjacent to the pumping station at Arthur and Quint and Third Streets to expand the parking, install the Bayview Gateway project. Please call or write the following individuals to let them know that we appreciate Islais Creek but are desperate to preserve the little parking that we have in our area." The flyer lists Supervisor Malia Cohen, Port Director Monique Moyer, myself and the Arts Commission Director. I'm honored to be the designated Commissioner but I want to make sure that we're doing the proper outreach and we're making sure that we're speaking to everyone. I learned about this movement of the Gateway project because I'm on the panel for the new Arts Project but prior to that, I didn't even know that we were eliminating the 25 spaces and attempting to move the Gateway Project to the other side of the street. I want to make sure that we're doing the right outreach and that we are taking the community into consideration when we're making these decisions. I was really shocked to see my name on the flyer.

Monique Moyer - I'm going to ask David and Stephen but the primary reason that this comes as a surprise is that there's one parking space being impacted and so the rest of it has been a surprise to us as well. We've been trying to outreach with the author of that. I got it a day or two ago as well and thought that we had convinced him not to move forward with so apologies that it went forward. David do you want to set the record straight?

David Beaupre, Planning and Development - John Sheridan, the individual who sent and distributed the flyer, has an industrial condominium on Bay Park which is at the corner of Third and Cargo Way. As Monique described the project, it eliminates one parking space. Earlier today I attended the Industrial Condominium Association's meeting and met with about 20 of the members and talked to them a little bit about the Port and the Port operations, the plans for the Bayview Gateway project and shared with them that indeed there was only one parking space lost but also shared with them the benefits of the overall project including pedestrian safety, clear sightlines for both pedestrians, vehicles and locomotives.

As a part of that outreach, I contacted Mr. Sheridan and offered to meet with him on several occasions. I shared with him diagrams and maps illustrating which one parking space was going to be impacted in the entire context of the project. Also he has attended the last few SWAC meetings. I offered to sit down with him

and shared with him that there was not 27 spaces removed so the invitation is open to meet with him but for the most part the community understands that there was some misinformation out there and hopefully that he hasn't widely distributed this letter.

Monique Moyer - To your request Commissioner, we'll bend over backwards and maybe through Renée Martin try to get some better information out more broadly.

Commissioner Brandon - We may want to contact Supervisor Cohen as well and make her aware of this.

Monique Moyer – We will certainly do that.

David Beaupre - We can do that. One of the other things that I presented to this group of Condominium Owner Associations was how to be added to our SWAC mailing lists so they get copied on email distribution agendas and also how to track the meeting times on the Port's Web site. They were appreciative and we'll work with Mr. Sheridan to resolve this.

Commissioner Brandon - Thank you.

Monique Moyer - Thanks for raising it, Commissioner. I didn't realize it had gone out in the mail.

10. CONSENT

- A. Request approval of a resolution urging the Board of Supervisors to amend the San Francisco Public Works Code to authorize the Port to impose penalties to enforce the Port's Construction Site Stormwater Runoff Control Program (Port Building Code Section 106A.3.2.5). (Resolution No. 14-26)
- B. Request approval of a Memorandum of Understanding between the Port of San Francisco and the San Francisco Board of Appeals to facilitate the transfer of permit appeal-related duties for Port Entertainment Permits from the Port Commission to the Board of Appeals. (Resolution No. 14-27)
- C. Request authorization to execute an amendment to the Construction Manager/General Contractor contract with Turner Construction Company ("Turner") to increase the total authorized contract amount from \$100,107,601 to an amount not to exceed \$101,250,601 to fund additional construction scope for the Pier 27 James R. Herman Cruise Terminal and Northeast Wharf Plaza Project ("Project"), and to extend the term expiration date from December 31, 2014 to April 30, 2015. (Resolution No. 14-28)

Request authorization to execute an amendment to the Architectural and Engineering contract with the joint venture of Kaplan, McLaughlin, Diaz Architects and Pfau Long Architecture in association with Bermello Ajamil and

Partners ("Design Team") to increase the total authorized contract amount from \$11,491,708 to an amount not-to-exceed \$11,741,708, for additional construction administration services for the Project, and to extend the term expiration date from December 31, 2014 to April 30, 2015. (Resolution No. 14-29)

Request authorization to execute an amendment to the Memorandum of Understanding (MOU) between the Port and the San Francisco Department of Public Works ("DPW") to provide additional Project Management services and to extend the term expiration date from December 31, 2014 to April 30, 2015. (Resolution No. 14-30)

Commissioner Katz - I just want to point out that we have Cynthia Goldstein here representing the Board of Permit Appeals and thank you for agreeing to work with us on these projects and for taking on that responsibility and thank you for joining us today.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution Nos. 14-26, 27, 28, 29 and 30 were adopted.

11. MARITIME

- A. Request approval of Second Amendment to Lease No. L-14282 with the San Francisco Bar Pilots Benevolent and Protective Association for space located at Pier 9 located on The Embarcadero at the foot of Vallejo Street to reduce the size of the Premises, change the security deposit instrument type, specify future rent adjustments and to make other changes. (Resolution No. 14-31)

Peter Dailey, Deputy Director Maritime - I would like to congratulate Monique on her 10 year anniversary at the Port. Unbelievable and congratulations!

This amendment would reduce the size and rent of the parking area of the San Francisco Bar Pilots' current premises, specify future rent adjustments, update the security deposit requirement and add new City and Port legal requirements. This past December the Port Commission approved a third amendment to a lease with Autodesk that increased their Pier 9 premises by approximately 3,400 square feet. Autodesk intends to construct a robotic laboratory in the improved shed space which is located adjacent to its current premises. The amendment requires Autodesk to invest no less than approximately \$2 million in base building, core and shell and tenant improvements bringing their total investment into the Pier 9 facilities to 16 million dollars.

This afternoon, the Board of Supervisors voted unanimously on this amendment. The Autodesk expansion space abuts the Bar Pilots premises and their cyclone fence entrance gate. The proposed Autodesk expansion would create a zero property line clocking the Bar Pilots current entrance gate and make vehicle ingress and egress difficult for all tenants at the Pier.

Autodesk and the Bar Pilots have mutually agreed to relocate the Bar Pilots fence and entrance gate eastward thereby reducing the Bar Pilots parking area by approximately 5,000 square feet and creating improved vehicles' circulation, paths of travel including access to the entrance gate and the vehicle turnaround area. This proposed second amendment to the Bar Pilots' lease reduces their parking area by 5,000 square feet and decreases the corresponding monthly rent by approximately \$5,300.

In consideration of this accommodation, Autodesk is required to relocate the Bar Pilots' fencing gates plus any corresponding electronic apparatus at its sole cost and expense. In addition, Autodesk will reimburse the Bar Pilots of any costs incurred in the construction or alteration to any access to the exterior apron deck that will be necessary due to the relocation of the fence.

Autodesk will also reimburse the Port for any loss of rent resulting from the Bar Pilots space reduction or loss of parking stalls through the term of their lease which expires in 2023. Port staff recommends the approval of this resolution.

Commissioner Woo Ho - For the rent that will be paid for the 5,300 square feet that the Bar Pilots are giving up that Autodesk is responsible, what is the rate that they're going to pay? Is it the rate that the Bar Pilots are currently paying?

Peter Dailey - Yes it is for the parking plus CPI.

Commissioner Woo Ho - Since that was negotiated several years ago, does that adjust at some point?

Peter Dailey - It will be adjusted by 3% annually. The space for parking in the shed is \$1.06 per square foot and that will be adjusted 3% annually through the end of the lease.

Commissioner Woo Ho - What is the current parameter rent for the space that they are currently paying? Let's say for the office, 427, what's the current parameter rent?

Peter Dailey - The current parameter rent is around \$3.00. I'll turn it over to our real estate colleagues who did that survey.

Jeffrey Bauer - The current market rate is \$2.75 per square foot on a net basis.

Commissioner Woo Ho - I know you've reported on this before but it seems like in the interim of the last few months that has not changed in terms of the market conditions.

Jeffrey Bauer - There's market and then there's the parameters that you're referring to. They became effective July 2013. I will be back to the Commission on May 27, 2014 with new recommendations for new rates and they are going up. The recommendation is for a higher rate. I think you'll be pleased.

Commissioner Woo Ho - I won't steal your thunder for the next meeting. I'm just trying to project out what happens in the future. As you know, I'm always watching the cash flow.

Monique Moyer - Do you know what your recommendation is off hand?

Commissioner Woo Ho - What is the range?

Jeffrey Bauer - It's closer to \$3.50 per square foot.

Commissioner Woo Ho - Okay and then you would expect that if anybody did take that, it would also have a 3% CPI increase as a standard.

Jeffrey Bauer – Absolutely, it would be indexed annually by 3%. Those are again net, so if we're getting \$3.50 if it's a full-service, that's probably closer to \$4.25 or \$4.50.

Commissioner Woo Ho - To the tenant?

Jeffrey Bauer - Comparatively speaking, yes.

Commissioner Brandon - Peter, can you briefly discuss what the other proposed amendments to this lease are besides the Autodesk piece?

Peter Dailey - There are new City requirements in the agreement that increase the amount of small business participation. I'll turn it over to Jeff.

Jeffrey Bauer - There's a change to the identification language. There is a clause that provides for encouragement of participation with local small businesses. Right now, the lease requires cash for deposit and we're agreeing to allow another instrument which is going to be a standby letter of credit which is very typical standards in larger security deposit amounts which this would be.

Commissioner Brandon - What would be the increase with small business?

Jeffrey Bauer - There's no set amounts. It's standard language that's in our new lease that everyone signs. Any new leases going forward, there's a clause that encourages participation with small business.

Commissioner Brandon - How will that happen with this lease?

Jeffrey Bauer – It's incorporated. We're amending the lease. This is the second amendment. That's all rolled up so now in their lease, they're encouraged to participate with small business.

Commissioner Brandon - In what way will they do that?

Jeffrey Bauer - That's a question that we would have to discuss with the Bar Pilots to see what their options would be. It is a statement to participate.

Monique Moyer - The language in the City requirement is, "Encourages participation with small businesses," the key word is "encourages?"

Jeffrey Bauer - That is correct.

Commissioner Brandon - Are those the only two changes?

Jeffrey Bauer - Yes.

Monique Moyer - Peter, did you already present the change to the market reset?

Peter Dailey - Yes.

Commissioner Woo Ho – Just to acknowledge what's going to happen is that based on your change in terms of the next year in January, reset to prevailing market rates, rather than the higher current base rent over the prevailing market rate, that based on what you just told me and with the 20% discount, we shall be seeing a decrease in rental payment.

Peter Dailey - Every five years like many of our leases have, there's a market reset. What is the market for this premise? The rent in this case will be now adjusted to market, whatever that is. In the past it was market rent if it's higher than the current space.

Commissioner Woo Ho - That's fine and it's going to be lower because they negotiated this lease at a very high rate. My issue is offering another 20% discount on top of that.

Peter Dailey - That 20% discount has to do with what was originally in the original lease many years ago. That is not a part of this amendment. That 20% discount was in the original lease.

Commissioner Woo Ho - But you're reopening all the terms with this deal.

Peter Dailey - This is true.

Commissioner Brandon – The last time you came to us with this deal, we had real issues with it. To me, they're two separate things. The Autodesk lease and the rent parameters for the Bar Pilots are two separate issues and to combine them, I may have an issue with that because I don't understand why we would take a lower amount of rent going forward.

Peter Dailey - That would only be the case if the market collapsed and the rents for that space, which is arguably the best space on the waterfront, would be lower than where they are paying now.

Commissioner Woo Ho - We're not talking five years from now. We're talking January of 2015 and that's only a few months away. The market's not going to be collapsing that much in the next six months.

Peter Dailey - Correct.

Commissioner Brandon - What has changed since the last time you presented this item to us?

Monique Moyer - We haven't presented this item in terms of the need to take back space in order to facilitate the Autodesk expansion. I believe you approved the Autodesk expansion in December. In the course of the negotiations with the Bar Pilots to take back the space and make it available for higher use if you will, this was one of the terms that they put on the table for negotiation. From the Port staff perspective, it is a risk we take with all our other leases. Because we don't normally negotiate a market reset that has a floor. But you are correct, we were very successful five years ago in getting an above market rate negotiated in and we do run the risk, the very real reset in January that the gross revenues will come down.

Commissioner Woo Ho - I think the question is whether you are going to give both in terms of the change, in terms of the prevailing market rate and the 20%. It's either one or the other, but not both. That's my recommendation.

Monique Moyer - If that's your direction, we'll have to go back and renegotiate. We haven't negotiated that or you can adopt a resolution with that provision, but the Commission has a policy that maritime tenants get a 20% discount over rack rate, parameter rent.

Commissioner Woo Ho - But that was not the case when this was negotiated several years ago at the higher than market rent, so I don't understand. This was inconsistent. We wouldn't be in this situation, and I could speak from the position of the Bar Pilot. They took a higher rent. There was no 20% offered at that time. It was negotiated for a future date.

Monique Moyer - I can't speak for why they agreed to a higher rent. I really don't know. It was a windfall for the Port at the time following several years of them being well below market but your point's correct that we've done our best to conform the terms of our leases in this case on both the market reset and the maritime 20% discount and if that doesn't meet with your approval, we'll have to go back to the drawing board.

Commissioner Woo Ho - I think the other two Commissioners should opine whether that's something you want to consider or not.

Commissioner Katz - I had two questions. One just substantively, in terms of the relinquishment of space, Autodesk reimburses us for the differential on that but is that space going to be put to a different use?

Peter Dailey – It will be for the same use.

Monique Moyer - Where the gate is?

Peter Dailey - The gate will be moved back. Jeff has a better idea of the layout.

Monique Moyer - No, the Autodesk will be building out another workshop that will encroach.

Commissioner Katz - What I'm getting at is we're treating it as parking space now and getting rents based on that but if it's effectively becoming higher use.

Jeffrey Bauer - It's common area is what it is. There are three parking spaces that will stay there. The fence will be moved east so that that common area will be moved. Autodesk will pay us for the common area that was the Bar Pilots' space. There's no downside in parking. We'll keep the same parking revenue.

Commissioner Katz – Okay, but what I want to get at is that it's not becoming some kind of new use of the space.

Jeffrey Bauer - No, not at all.

Monique Moyer - But I think you need to be clear that it does facilitate what is now a garbage area to be built out as a new workshop or whatever the right words are to describe that.

Jeffrey Bauer - The Autodesk space which is 3,400 square feet is currently used for storage so it's very low use. You passed a resolution that would allow them to take the 3,400 square feet and build a robotics lab. As built, I might point out, that that's going to be 5,300 square feet with a market value of \$30,000. The current market value is about \$3,000.

Commissioner Katz - That's where I was going with this.

Jeffrey Bauer - Those are benefits that we get from these mini developments.

Commissioner Katz - Do we get any concurrent increase in rents?

Jeffrey Bauer - We get a \$2 million investment.

Commissioner Brandon - But you're talking about two different leases, right?

Jeffrey Bauer - I'm trying to answer Supervisor Katz's question on the 3,400 square feet. Then the fence will be moved.

Commissioner Woo Ho - So are they paying \$3,000 or \$30,000? How much will Autodesk pay for that space?

Jeffrey Bauer - About 3,000 to 4,000 square feet. My point being as built will be 5,300 and with a market value of \$4.00 a square foot.

Commissioner Woo Ho - How much will they be paying?

Jeffrey Bauer - During the term, they have to amortize their investment of \$2 million.

Commissioner Woo Ho - So they'll be paying at the current prevailing rate that the Bar Pilots are paying.

Jeffrey Bauer - That's correct.

Commissioner Woo Ho - Which takes off the Bar Pilots' lease how much per month?

Monique Moyer - Fifty-three hundred.

Commissioner Woo Ho - Fifty-three hundred dollars.

Jeffrey Bauer- Right.

Commissioner Katz - The lease with the Bar Pilots is updated to reflect the more current language regarding indemnification and encouraging local business participation, I'm assuming the existing lease already had my favorite section, the 12B non-discrimination language?

Jeff Bauer - Absolutely.

Commissioner Adams - I agree with Commissioner Woo Ho. The presentation is kind of a little spotted to me and I do not understand it. I'd like to see you take this thing back and work on it some more and bring it back to the Commission.

Jeff Bauer - One point of clarification that might help is that the 20% was in the original lease.

Commissioner Woo Ho - We understand that but that 20% did not actually occur at the commencement of the lease, it was based on the future. Recently what we just heard was that this was a standard policy. We didn't use a standard policy at the beginning of the lease, so we were not inconsistent with our supposedly policy.

If the lease is being renegotiated in terms of terms, it's like we can negotiate certain terms but we can't negotiate other terms. It seems to us that we should have the benefit of trying to figure out something that's fair to both parties.

Monique Moyer - Commissioners, would you mind please restating your direction. We heard a lot of different things. What is your direction?

Commissioner Brandon - I personally would like to see them separated. I don't think that the Port should be giving up 5,000 square feet and the Port is not getting any additional revenue because of that. We get to reset the whole lease.

Monique Moyer - I hear what you're saying but we're opening up the lease. I'm not sure how to separate it. Could you be more clear?

Commissioner Brandon - If we have to do it together, I think it should be more beneficial to the Port.

Commissioner Adams - I want them to come back.

Monique Moyer - Yeah, I got the part, "Come back." I'm still working on, "With what?" Because as you pointed out earlier, we've been back a few times and thought that we had followed your direction and apparently we have not.

Commissioner Woo Ho - I think there's two parts of this. One is Autodesk because, in recognition of the fact that they're investing \$2 million, they are getting the space at a lower rent for the time being because they're going to have to amortize their \$2 million. They would not be paying the prevailing market rent for the improved space because they're putting in \$2 million. We're getting the \$5,000 for the space at the current as-is usage is what you've presented. The second part of this is what is the Bar Pilots renegotiating on their lease as far as the reset? They're giving up the space. They won't have to pay that amount of rent anymore because it will be paid by Autodesk and what they've asked for in order to agree to this is that they want their rent to be adjusted to prevailing market rent as of January with the 20% discount.

What I am saying that to give them prevailing market rent when I just heard from Jeff in terms of what that range is probably going to be, we will be losing some revenue, and yet giving them the prevailing market rent, which is lower than the current rent, plus the 20% discount, seems like that's not as fair to us in terms of our long-term projections of what we need to sustain in revenue for the Port.

Monique Moyer - Do you have a direction on what you think is fair or do you want us to come back and just keep working on it?

Commissioner Woo Ho - There should be a discussion with the parties involved.

Monique Moyer - I'm just asking because, as you pointed out, we've been here and we've gotten that direction before. It was broad as it was just now, so if you have something more specific in mind, that direction would be helpful.

Commissioner Katz - Yes, I wanted a little clarification as I understand it. The 20% discount is standard for maritime use, right?

Monique Moyer - Yes, the Port Commission has a policy that provides a 20% discount for maritime use.

Commissioner Katz - So it would be the market rate discounted 20% for any maritime use tenant. Is that essentially what this would be?

Commissioner Woo Ho - I am challenging that policy saying that it wasn't applied to this lease to begin with.

Monique Moyer - No, it is applied to this lease. It has a kick in date that's already passed. It wasn't applied to the rate that we were getting in the initial five years but we're not proposing to amend that term. I think your direction is, either amend that term or don't double dip.

Commissioner Woo Ho - Correct.

Jeff Bauer - One thing I would point out is, you asked me the Pier 9 prevailing rates which would go to \$3.50, actually in the clause and the rent for prevailing we would look probably to Bay and Delta which is \$4.25 a square foot. So actually the rent is more in line with what the Pilots are paying now.

Commissioner Woo Ho - I think you need to come back and show us something and obviously talk with the parties involved.

Jeff Bauer - Okay, thank you.

Commissioner Katz - We'll have this item held over for further discussion.

- B. Informational presentation on the Cruise Terminal Management Agreement with Pacific Cruise Ship Terminals, LLC and Passenger Fee Increase for the James R. Herman Cruise Terminal at Pier 27, Pier 35 and Piers 30-32 at the Embarcadero and Lombard, Bay and Bryant Streets, respectively.

John Doll, Planning Development Division - This is an information presentation. There is no action required this afternoon. It serves as a prelude to an item that we would hope to bring you later this month with regards to your consideration of the Management Agreement between the Port and Metro. This is another step in a long circuitous effort and a balancing act to deliver a new primary cruise terminal to the City of San Francisco.

It has taken about 20 years since a new cruise terminal was proposed at Piers 30-32. Upon that failure, the Port Commission performed an analysis of a cruise terminal and berth alternatives throughout the Port in 1998 and resolved that the Port would require a new cruise terminal and authorize an RFP for a developer to construct a two berth cruise terminal at Piers 30-32.

The Pier 30-32 public/private partnership with Lend Lease ultimately failed to produce a cruise terminal. A portion of that was built which was the Watermark Project did generate \$20 million in condo proceeds that ultimately was used for seed money for a new cruise terminal. The Port Commission did set up a Cruise Terminal Advisory Panel which later recommended that (1) the Port developed a

modern cruise terminal at Pier 27; and (2) instead of a public/private partnership, the Port would principally fund the project itself.

On the one hand, the project funding allowed the Port to control the design of the project to ensure that terminal operations would meet industry standards. On the downside, clearly there were budgetary constraints. The Port also had to balance the functional needs of a modern cruise terminal while meeting the regulatory requirements to provide public access. The design also accommodates event use when a cruise ship is not berthed to maximize the utility of the building.

In October 2012, the Port issued an RFP for a new terminal operator to manage cruise terminal operations, events and parking and Metro was selected last summer. We've negotiated a draft agreement. The proposed management agreement between the Port and Metro represents a balance of the Port's operational needs and budgetary requirements. The Port will have two operating cruise terminals - one at Pier 27, one at Pier 35 with a back-up berth at Piers 30-32.

While Pier 27 will offer greater efficiencies from a customer perspective, it will also entail higher operating costs as a result of it being a modern facility. At Pier 27, not only will there be shore side power and a mobile gangway, but for the first time there will be HVAC. To offset these higher operating costs, we've identified four different revenue streams. One, an increase in the passenger fee from the current \$12 per passenger to \$18. A terminal fee payment that Metro would pay and also a split between event revenue and parking revenue that we would get from Metro.

In the proposed draft agreement, Metro would pay to the Port a terminal fee of \$180,000 a year, increasing with a CPI of 3% annually. As noted in the staff report, there's a payment scheme intended to incentivize Metro to berth as many cruise ships as possible. The more cruise ships that call into San Francisco, the less payment to the Port.

This however is offset by the increase in the revenue that is generated by the passenger fee. It more than offsets the loss of the base payment. Secondly, 50% of gross revenues from a Metro generated event use and three, 60% of gross revenue after deducting the 25% City tax for parking operations. This is less than the Port's standard 66%. Port staff recommends a lower percentage because Pier 27 Ground Transportation Area, or GTA, will be operated as a manned parking lot and available only when there are no cruise bookings or other events scheduled.

However, this percentage may have to be renegotiated as noted in the staff report based on the outcome of discussions, negotiations with BCDC regarding a permit amendment to allow such parking within the GTA or Ground Transportation area. So in the event that BCDC determines that the Pier 27

GTA's parking capacity is reduced or eliminated, then this would reduce the income to the Port and the Port's ability to afford the project.

As shown in Exhibit E in your staff report, the Port developed a base case financial scenario representing a break even scenario where generally Port revenue equals Port costs. The base case assumes revenue generated from 82 cruise calls, projected events and parking usage assuming or pending a BCDC permit amendment. Variances from the base case or this break even scenario shows the projected income lost to the Port.

As shown in Exhibit E, low calls, that is less than 82 calls per year, will result in a net loss to the Port. Likewise, high calls, or over 82 calls a year, will generate greater revenue to the Port. Port staff will present to the Port Commission consideration of this management agreement as early as May 27, 2014.

We believe that this agreement represents a balanced approach of generating revenue while satisfying the needs of the terminal operation and will conclude a 20-year adventure to deliver a new cruise terminal to the City and County of San Francisco. Port Commission approval is crucial in that it will allow Metro to begin the transition from primary operations at Pier 35 to the new terminal at Pier 27. Pier 27 will be a modern facility that meets industry standards such as a mobile gangway and that will take time for that transition to occur. To assure that by the first cruise ship call in late September, we've got everything in working order. The mobile gangway, the shore side power, every aspect of the new cruise terminal. Such approval is also critical for event operations as well.

Once the agreement is done, this will allow Metro to directly book events and start to implement their marketing program to attract and sustain event users. That concludes my report. I'm also supported by Peter Dailey and Elaine Forbes from Port staff and Stefano Borzone from Metro.

Commissioner Brandon - Thank you for a great presentation. I'm excited about the new cruise terminal and all the new cruise calls we're going to have coming to San Francisco once this is completed. I want to thank Stefano, Veronica and Metro for being so diligent in putting together your local business participation plan. It's a model that others can easily follow so thank you for taking the time to put that together. I'm excited about the iSan Francisco directory because I know all of our Port tenants can use that.

Commissioner Adams - This is a great presentation. I also personally want to thank Stefano. I know I've been in that grinding wheel for a time as there were some problems down at the old facility. Stefano really stepped up. He listened to the direction of this Commission. He made some changes. He showed some true leadership. I appreciate that. I understand things are going well down in Pier 35 now and you're getting ready for Pier 27 and it's good to see we've got some personnel down there situated out and everybody's excited. Philip's here from Local 10 and I had talked to Melvin McKay the President. He told me to personally thank you, Stefano, for working with them and Local 34 and all the

Locals so we can have the best city in the United States where people can come to take cruises. They can come into our beautiful city to a world class cruise terminal and that we're working together with the Port, Metro and the ILWU so thank you very much.

Commissioner Murphy - Thank you John for all the hard work and thanks all the staff that worked on this. It's great that this is finally moving forward. It's going to be very exciting.

Commissioner Woo Ho - Thank you also for a great report and as you know, I've been briefed a little bit so I am familiar with the details. I just had one question to clarify and I'm not sure I have the answer to this one. You have different scenarios that Elaine has put together and we talked through the assumptions on the cruise calls and things like that and understand what the margin is on that but on the events. I wanted to understand how the rates for the private events will be set and how the Port will be involved or not involved with the rates set for the events and how do we participate through Stefano and also the event operator? I just want to understand how that works for the Port.

John Doll - Pier 27 will have its own rate and then there are different components within the cruise terminal. If they take the entire terminal facility, Metro proposed that their rate would be \$35,000 for a single day. Fifty percent for load in/load out of that cost. Some events are only for a single day, other events are for multiple days. However, if it's a smaller event, then the rate will be lower. Unfortunately, the total rate if they're only taking the second floor, I couldn't tell you off the top of my head what that rate would be.

Commissioner Woo Ho - Let me phrase my question so you understand where I'm coming from. We have to work with the cruise ships for over a longer schedule, so we know what to plan for the next couple years in terms of the amount of cruise ship calls.

The one variable that we have right now is to figure out the private events which is brand new for us and brand new for Metro and brand new for Hartmann Studios. So the one variable that I'm looking for the upside, obviously there's a downside to it too, but looking at the upside, is on the events side.

If there's more events, and how often and depending on what the market is, what is our ability to look at that and assess that with Metro and Hartmann in terms of what the rate is? If the market can bear the rate, what happens? How does the Port share in that? How frequently will we look at that? Is that covered as something that we will review on a periodic basis in the agreement?

John Doll - Yes

Commissioner Woo Ho - I'm not into the actual rate for X right now. I'm talking about figuring out flexibility in the agreement that allows us to participate on the

upside. Obviously, if the event doesn't happen then I'm more interested in trying to understand the upside.

John Doll - It is set in terms of what the percentage of the event would be to the Port. We would get 50% of any event revenue and that's set. But the rate itself of the facility or whether it's Pier 35 or all or a portion of Pier 27, we will work together with Metro to determine that market rate for event rentals.

Commissioner Woo Ho - Does the agreement have some review process of how often we'll be looking at that? Is there a set review process?

John Doll - I'm not sure it's set but it's at least implicit and we can work on that portion of that agreement and have it set.

Commissioner Woo Ho - If we agree to X period and agreed that the market hasn't changed therefore the rates shouldn't change. They might be saying the market hasn't changed but we think the market's changed. I suggest that staff sit down with the operator periodically and have a conversation about the market conditions.

John Doll - You're right, Commissioner. It's to our benefit that the rates change accordingly with the market.

Commissioner Woo Ho - We don't want to be locked into something that we're only going to look at once a year. It should be more market driven.

John Doll - I don't think that's the intention.

Commissioner Adams - John, when you briefed us recently, this is a 10-year lease, with a five-year option, right?

John Doll - Correct

Commissioner Adams - Stefano, since this is the first time that Metro's ever done special events, etc. and you have to get in there and start planning things, what is your vision for special events? I think Commissioner Woo Ho has some good questions but what do you see going down the line as far as special events? What are you going to hold there and what's your goal in a couple years to have accomplished there?

Stefano Borzone - The special events obviously is the exciting new component. One of the reason we decided to hire Hartmann as a partner is their track record, their success in the Bay Area in that region, in that element of the business. Hartmann Studios is a very connected, very successful special event planner that has a very large facility, great capabilities and so we are marketing the facility, which in some ways, we already determined, really markets itself.

There is a lot of excitement in the broader destination, management companies, and community about the facility. We're going to have an open house, like a grand opening where we invite all these companies from the entire West coast that will come in, will be shown around. We will showcase the place. Even to your earlier comments on pricing, we will be gauging pretty much on a monthly basis what the market does in the broader Bay Area with the top venues.

This is a top venue on the waterfront of the City in the middle of the best area we could have. It will be priced up there and \$35,000 per day on a full scale event is pretty much right now the top of the market. Our vision is to expose the facility as much as possible. Have frequent events where we have open houses with all these companies coming in and understanding capability of the place. Work with Hartmann very aggressively and also work with the remainders of the City in promoting the place.

The early indicators we have received are extremely encouraging. There is a lot of interest, from large to smaller companies. The only limit will be that we're trying to bring cruise ships in and the two elements are mutually exclusive, of course. The more cruise ships we bring in, the lesser events we will do. We know in non-peak times of the year for cruise, traditionally late fall near Christmas and also early winter, there are great opportunities for special events. We believe we can maximize the facility.

Commissioner Woo Ho - I would also like to encourage because some of us have age eligible children, trying to find wedding venues is very difficult. Usually when you ask them, "Well, when are you going to get married?" The answer is "When we find a venue." And that determines the date. We have a possible venue here for people to consider. Just be sure Hartmann also thinks about marketing it for weddings because it seems to be very top of the mind for young people these days.

Stefano Borzone - Absolutely, it will be marketed for high end weddings. I haven't crossed that bridge yet with my own children Commissioner but I'm sure eventually I will. It is a beautiful place for weddings. The upstairs section, even if we have to partition it which is something we can certainly do, will be perfect for that.

Commissioner Katz - Thank you for your work. I appreciate what you did in terms of stepping up and hearing concerns from the Commission and recognizing our desire to really be good partners with our local community as a Port and you've stepped up and heard us and really come up with a very elegant solution. Thank you for that.

Since we are talking about what a fabulous event space it is going to be, are reservations already being taken for events on days when we don't have cruise ships coming in?

Stefano Borzone - At the moment we're not in a position to sign a contract with event planners yet because we don't have an agreement in place so we're having a lot of discussions and we haven't finalized things yet but we're looking forward to be able to do that.

John Doll - On the other hand, we have made reservations with a number of different users for late 2014 which include Salesforce, LinkedIn, San Francisco Maritime Museum and Electronic Arts. Once the agreement is signed, Metro can actually book the event. Right now they have the reservation, these users know that these dates are reserved for them but we can actually solidify that when the management agreement is executed.

Commissioner Katz - Thank you.

Commissioner Murphy - How much notice do the cruise ship people give you when they're coming to San Francisco?

Stefano Borzone - Traditionally we book cruise ship calls between 12 to 18 months in advance. Of course, we will be consulting with the Port's marketing department but the 12 month threshold we can book an event knowing that there will not be a cruise ship on a certain day. If it's a certain time of the year where we know it may be sensitive, we may consult with some of the largest clients, such as Princess Cruises. But the 12 month threshold tends to be the timeframe.

Commissioner Murphy - We also have an alternative terminal if that Pier was booked at that particular date, right?

Stefano Borzone - Yes sir. If there was something, sort of an emergency call or last minute call, we have two berths at Pier 35, which will come extremely handy.

Philip Reilly, business agent from the Longshoreman's Union - I wanted to speak briefly about the Pier 27 and the whole cruise terminal situation. I know that our membership at Local 10 is very excited about this new Pier. We have had the opportunity to work there in its previous state. I've worked at Piers 30-32, and Pier 35 for many years and dealing with the challenges I will say in the conditions of some of the places have been extreme. This is going to be a great opportunity for all of us. We're really excited about this and wanted to thank Metropolitan for, like Willie said, stepping up and really helping with this situation and hopefully that we can have a very long positive relationship out of this. Thank you very much.

12. PLANNING AND DEVELOPMENT

- A. Request approval of the Second Amendment to Exclusive Negotiation Agreement with Orton Development, Inc., a California corporation, to extend the term of the ENA until December 31, 2014, in connection with the rehabilitation

and redevelopment of the six 20th Street Historic Buildings (located on or near 20th and Illinois Streets at Pier 70). (Resolution No. 14-32)

Request Adoption of California Environmental Quality Act Findings and a Mitigation Monitoring and Reporting Program and Approval of the: (1) Lease Disposition and Development Agreement; and (2) Lease No. L-15814 for a term of 66 years, both with Orton Development, Inc. or its affiliate, Historic Pier 70, LLC, a California limited liability company; and (3) Schematic Drawings, all in connection with the lease, rehabilitation and redevelopment of the six 20th Street Historic Buildings (located on or near 20th and Illinois Streets at Pier 70). (This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code.) (Resolution No. 14-33)

Phil Williamson, Planning and Development - As is alluded to you in the length of that title, we have a lot to present to you today. Fortunately you've seen some of it recently at the last Commission meeting, I provided an informational presentation, the bulk of which is in this report as well. My goal today is to highlight new events, and new information to help you make your decision today.

I wanted to highlight the things we will be talking about at the Pier 70 site. We will be asking you to adopt findings under CEQA, to adopt the mitigation monitoring and reporting program, to approve the transaction documents, approve schematic drawings and approve the ENA amendment.

You'll see on this slide the premises, historical photo of the premises. Building 101 is the building closest to us on the corner of 20th and Illinois Street and in the background you see the rest of the site, the historic core of the Pier 70 area. This project will rehabilitate and reuse historic maritime buildings as a gateway entrance to Pier 70 and the other projects in the Pier 70 area. The office buildings will return to office use.

I want to point out a small error in the staff report where we identified a prior office use at Building 104. We identified the prior use there as PDR when in fact it was previously used as Medical Office Building in an office building. We also envision for this site the Powerhouse at Building 102 to become a restaurant or other commercial use. Industrial buildings to become light industrial, arts, recreation, recreation uses and new public spaces within the Building 113 Atrium and the adjacent plaza. You'll hear later more about the Atrium specifically and things we've accomplished since our last meeting to address public access at that location.

As part of the CEQA process, the project impacts are addressed fully in the Eastern neighborhoods in the final EIR. The project is exempt from environmental review. Rather than going through the full EIR, it qualifies for a community plan exemption which identified mitigation and improvement measures and avoids significant negative impacts and effects of the project on

the community. On May 7, 2014 the City Planning Department approved the CPE and also the corresponding mitigation measures.

The Port in partnership with ODI, our development partner, shares responsibility for implementing certain monitoring measures that are in the MMRP as it is colloquially known. The measures that the Port have agreed to help implement and monitor include a traffic signal installation at the corner of 20th and Illinois Street, citing of noise generating uses during the project, pedestrian and roadway treatments. Pedestrian and roadway improvements, limit peak hour truck movement through the site, develop a construction management plan and adopt a transportation management plan.

As mentioned the last time we were before you, the project benefits from AB418 which was passed several years ago to allow non-Trust uses on this site to finance the rehabilitation of these dilapidated buildings. AB418 requires that ample public access be provided as part of the project and state land staff has had an opportunity to review and advise staff and supports the project as presented.

Now I'd like to delve into the project cost summary and I want to point out that the costs that we discussed with you last time have increased specifically due to a recalculation of an impact fee, the transportation impact development fee. The number that we show you today is \$76 million of total project cost. The number we showed you back on April 22, 2014 was \$74 million.

We have identified the sources and the uses of how these funds come to the project. The Port capital remains constant at \$1.75 million which is \$1.5 million of identified Port capital funds and a small grant from the state. The seismic loan is \$20 million. Historic tax credit for the site generates up to \$14 million and private debt and equity is increased in this presentation to \$41 million. Again that addresses the transit impact development fee. You'll see the uses here identified as \$56 million in hard costs, soft costs of \$14 million and financing costs of \$6 million.

One of the financing tools that we will use for this site comes from the 1992 General Obligation Bond identified as a seismic safety loan program. This is a program that is available specifically to address seismic needs for unreinforced masonry buildings which this site has two, Building 113 and Building 104. It provides lower cost financing. Helps replace higher cost developer equity and does not have an impact to the City's General Fund. It is secured by the leasehold to the developer.

This is a very important part of our work over the last several weeks and I'm happy to report to you that of the \$35-40 million letter of intent the project has obtained from a major bank which is secured by a personal guarantee from J.R. Orton Jr, also known as Eddie Orton, present today in the audience, the Port consulted and contracted with a third party to review Mr. Orton's cash flow and cash equivalent assets and is able to report through our consultant that there is

ample asset to fund the maximum \$14 million equity contribution on behalf of the developer and also to satisfy the liquidity requirements of the bank loan mentioned above.

ODI will invest up to \$14 million of equity. Minimum equity contribution is \$5 million approximately. The Port will contribute up to \$1.75 million and the Port will participate with the deal structure according to the following waterfall of events beginning with the repayment to ODI their equity and a 14% return on that equity.

Following ODI equity repayment, the Port's capital and return would also be paid and then following that, the Port and ODI would share the net revenues at a 50/50 clip. Should ODI outperform the pro forma, meaning should the Port participation rent be exceeded based on what the pro forma shows, we have created a bonus incentive for ODI to participate for a limited period time of 20 years at a 20% rate.

You'll see on this slide the construction period and a repayment period as discussed for ODI's equity. Then you'll see in the blue color at the bottom beginning in 2024 the Port's equity repayment. On top of that, participation rent based on the pro forma and beginning in 2034, that's when the base rent begins the minimum required annual base rent. It's important to note that a bonus to ODI if they outperform. The black line beginning in 2024 that is on top of the participation rent through 2044 is the maximum period of bonus available to ODI should they do very well on the site.

In the end, as far as a summary of the financing of the Port, beginning in 2024, the Port would receive \$298,000 of equity repayment for a 10-year period and also \$122,000 in participation rent is projected. In 2034, the Port's minimum base rent would kick in at \$240,000 per year and participation rent is anticipated to be \$692,000 per year. Looking at the total 66 year term of this lease, the total Port revenues are \$212 million which if you'd taken a net percent value of that amount, it becomes \$12.2 million in today's dollars.

A few moments ago I mentioned that some of the work that we'd been doing on site would be funded through an infrastructure financing district. Specifically we would capture net increases in property tax in this site and with the City's approval, bond against that to fund public realm investments to the tune of \$5-6 million.

We've done some considerable outreach and efforts with the consultant and the developer and the community to identify public realm needs for this site. If you've been down there, you've seen its current state of condition is poor so some of the work that I'm going to mention next and show you some examples of is critical to the success of the project in allowing the public to get to the site safely. This work includes sidewalks around the project site, street lighting, and ADA, American Disabilities Act, access improvements. And it's important to note

that the IFD, Infrastructure Financing District approvals are subject to the Board's vote.

Some accessibility items would be addressed including cracked and incorrectly sloped sidewalks. There'll be some patching of sidewalks and intersection improvements to improve the flow to the site and flow to the project for vehicles, trucks, pedestrians and bicycles. We would use some of the funds to patch sidewalks again and to make sure that all the sites are accessible. With the help of our consultant, to identify the total cost of these improvements and to show you how they would be phased in over time to match the taxing inflows from the IFD.

There are two primary documents -- the first is a lease disposition and development agreement. This delineates the requirements to develop the site and sets benchmarks for the developer to meet. It requires insurance be in place. Identifies the termination fee. The key exhibits to this document are a scope of development and a schedule of performance that highlight the benchmarks that the developer must meet to keep the project moving forward. The attached drawings, which are attached to the staff report and are available through the Port Secretary and you are being asked to approve those specifically today, and the development budget.

The other primary transaction document is the lease, a 66-year term is proposed. The uses as described earlier would reactivate office use, reanimate the light industrial spaces of the site, includes the rent provisions discussed a few moments ago regarding minimum rent, percentage rent, equity repayment and there's a Port participation and transfer proceeds down the road.

The final transaction document is an ENA amendment. Obviously there's an ENA you have already approved for this project with Orton Development Incorporated. We are now asking your approval to extend that term to allow sufficient time to fully entitle the project, to gain all the required approvals.

The term otherwise would expire June 20, 2014. We had hoped to get all this done before June 20th but we anticipate needing a little more time to get through the board process especially given the budget season we happen to coincide with. The termination date would be the earlier of the effective date of the LDA or December 31, 2014.

Since the last time I was before you, we have been working with the developer on a number of issues. The Port retains sublease oversight in all of its leases. The degree of oversight is negotiated. We have negotiated in this case for tenants greater than 100,000 square feet that the Port has a right to review and approve those subleases.

Specifically at Building 113, the initial major tenants for that site the Port has also requested they want approval rights for. That's important when you get down to uses. One of the goals for this project from the beginning was to ensure

that it maintains a light industrial feel, light industrial use. We believe the Port oversight and especially in Building 113 will help ensure that happens.

With regards to required public access, we have been working with Orton and the community to make sure that we have enforceable rules that dictate clearly how the public access space will be accessed, how and when it will be open and what uses can occur there. We believe we've come to a satisfactory result to clarify signage requirements to identify where this public access is and confirming an organized effort to maximize that access especially through the Atrium of 113.

Today, we're asking for your approval for the actions mentioned at the beginning of my presentation following which, assuming your approval, we would proceed to the Seismic Loan Committee review which informs the Capital Planning Committee's approval process in May and June of this year. With those approvals going through the Board's Budget and Finance Committee, the Board's Budget Analyst, and with a recommendation from that body, moving to the full Board for approvals.

Assuming that all goes according to plan and again as mentioned, recognizing we are entering the budget season for the City, we anticipate executing the lease and issuing the Port building permits once the LDDA requirements are met and the loan conditions are fulfilled in August 2014 with construction starting this summer and after 18 months or so of construction activity, occupancy occurring in Spring of 2016.

This project has many benefits to the Port. It rehabilitates and reuses six historic structures that are largely vacant today and have largely been vacant for many years. But for a project of this size and this scope and capabilities of this developer, these buildings face a very uncertain future. The project creates new public spaces which we believe will animate the site on a daily basis.

Importantly the project eliminates from our capital plan \$110 million of unfunded cost once we are able to get this space improved in generating uses, in generating tax revenue, we can look to the developer to maintain it for the next 66 years. Through those uses, creates \$50-60 million of new assessed value that can be bonded against to provide funding for the Port. As mentioned and shown on the graphs earlier, it improves the Port's cash flow.

I would like to congratulate our development partner for establishing a healthy, productive relationship with the Contract Monitoring Division of the City and working with them to agree upon certain LBE goals for this project including 17% for project work. The seismic loan that is being sought also carries its own local hire requirements which the developer will meet and the developer has to meet.

The project provides permanent jobs, 400-500 jobs when it's completely filled and occupied. During the construction period approximately 250 jobs, full time equivalent jobs will be created on site. We believe this activation will animate the

neighborhood. There's a new subway coming, the Central Subway which will benefit from these new riders. The T line itself already would benefit from these new users. The project creates new space to support the City's and the Dogpatch neighborhood's thriving manufacturing and industrial uses.

I would like to thank you, Commissioners, for your time and your help in moving this project forward over the last several years. Today's action is a major step forward in returning the Pier 70 site to the community. Significant historic rehabilitation will preserve and enliven Pier 70 with active uses and vitality and create a gateway to the larger Pier 70 area. The reinvented and reimagined historic core will be enjoyed by workers and residents and visitors to the Port's working waterfront.

Staff's recommendation today Commissioners is to approve the second amendment to the ENA, adopt the findings under CEQA and the mitigation and monitoring program, approve the transaction documents, approve the schematic drawings, direct staff to seek approvals of public financing tools, specifically the seismic loan and the IFD.

I would like to thank you and many Port staff from Jonathon Stern to Byron Rhett to Executive Director Moyer and Jamie Hurley who's been working hard on the financial analysis and many others from Carol Bach to Diane Oshima to David Beaupre. This has been a cast of thousands to move this project forward and we're very pleased to present it to you today.

Commissioner Brandon - Don't forget Kathleen Diohep.

Toby Levine - Thank you very much for moving this project along this far. As you probably know, there are several of us who have been working on Pier 70 and the historic buildings probably 10 years ago. This is a big step and I know that if there are supporters of the historic buildings here, they're going to be thrilled, once you make your vote. We are thrilled. One small thing I would like to say about Orton is that they are very accommodating. When problems arise or little glitches occur, they're always very happy to move in and try to straighten things out and then just move on which is the right way to be. I urge you to support all these documents today.

Corinne Woods with Toby, Co-chair of the Central Waterfront Advisory Group - We've worked on Pier 70 for many years. We're very excited to move forward on this project. As Toby alluded to, we came up with a minor glitch and Orton and the Port staff stepped forward. We're very concerned to maximize public access. The agreement that we've heard from Orton today is that it will evolve as security and safety issues are resolved, as the buildings are tenanted. We're looking forward as the community to working with the Port and with Orton to maximize that public access to make sure that the Atrium and the Plaza are true connectors to the rest of the Pier 70 site and we urge you to approve these and let us begin. Thank you.

Kate Sofis representing SFMade our manufacturing sector's representative - We're very excited to see this project move forward. We often look with jealousy at places like New York that have the Brooklyn Navy Yard which has been such a tremendous asset to provide expansion space for their manufacturing sector. Since SFMade has been engaged for the last four years, we're blessed to work with over 540 local manufacturers all producing in the city limits of San Francisco. It's been growing every year. We added more than 10% net new jobs year over year. The main limit to the growth of manufacturing is actually space. We see historic Pier 70 as a tremendous opportunity to have expansion site for both manufacturers of a small scale but frankly those larger buildings are some of the very few we have left for some of the more unique expansion opportunities. I'm in support of your moving forward with this. I would like to see us all stay closely focused, keep our eye on the ball of getting true manufacturers as well as we can into those spaces. We are just scratching the beginning of closer collaboration with the Orton team. I welcome that and look forward to that.

I hope that when we look back on this see a vibrant mix of uses but especially that we successfully tenant some manufacturers into the space if we want to get those jobs numbers that we're saying are one of the goals of this project. The manufacturing sector is one of the more powerful ways to do that and still have industrial space.

Catharine Hooper - You normally hear me in front of you talking about Fleet Week or cruise ships or things like that and as I sat listening to this presentation, it occurred to me that I am a daughter of that area. My father and my grandfather was an engineer with Bethlehem Steel, helped build the Golden Gate Bridge. My father worked with Bethlehem Steel in Sales and Marketing. It occurred to me that this is a really historic area, a historic area and aside, obviously for the responsibilities we all have to make this a profitable, lucrative area to maintain the historic nature of this area is really important. Bethlehem Steel put me through college. Bethlehem Steel took care of my family and I'm really excited we're going to take care of this area. Thanks for all your votes.

Commissioner Woo Ho - Thank you Phil and Jonathan and Byron for all the hard work. Since we had the last conversation and we said that we were very close at the one yard line, I think we've made a lot of progress which is represented in this presentation so thank you very much. I did have a couple of questions just to make sure that I have all the details right. Question number one is that we do have return of Port equity which is great and you do mention rate of return. Has that rate of return also been agreed upon at this point?

Phil Williamson - Yes Commissioner that's a good question and I'm sorry I failed to mention that. The rate of return is capped at 7% for the Port but it's based on our tax low revenue rates. 7% is the cap.

Commissioner Woo Ho - My second question relates to, you mentioned IFD costs \$5-6 million. In terms of uses of the fund now with \$76 million, I wasn't

sure whether the public improvements, are they separate from the \$76 million? That leads to my other question while we expect once the IFD is in place that we will be able to get the revenue off of that to repay, but you have to make the improvements up front so where do we stand in terms of where that's going to get funded?

Phil Williamson – First of all, you're correct, the IFD public realm expenditure is separate. It's outside the project limits. We identify a need to find some bridge funding to implement some of these measures until the tax flows begin and once the tenants are occupied.

Jonathan Stern with Planning and Development - To answer your question we programmed about \$6 million dollars, with a little bit more with inflation, of expenditures in the public realm over the first approximately 10 years, 10-12 years of the project. That's because they're relatively minor sidewalk and ADA improvements that have to happen in order for the project to open.

Other than tax increment, we do have a minor contribution that's currently programmed into the Port capital budget that's about \$400,000. There's \$100-200,000 of developer contribution, projects that they've agreed to front the money to do, and with that, we need a combination of tax increment financing, IFD funds and other Port funds to the order of about \$150,000 to do those early projects. At that point, we have a little bit more luxury to complete projects as IFD monies come in.

Those would include redoing all the street lighting, repairing some of the other, shoring Building 40, Building 105, other areas that make the area safer so we can safely have pedestrians in the public realm, and then finally putting in a traffic signal and the biggest ticket item is to remove the electrical from Building 102 to make that usable. We've programmed that all in year by year.

Commissioner Woo Ho - What you're saying is outside of these initial funding sources that we've identified, that the IFD will kick in. We don't have to wait for all of the improvements to be made before the IFD financing comes into play. Is that what you're saying?

Jonathan Stern - That's right. We believe, based on that plan of finance, that we can do the early projects that we have to do, and then we have a little bit of luxury of waiting for funds to come in from the tax increment to complete the final projects.

Commissioner Woo Ho - But the tax increment is obviously based on the value. How does that get assessed when the value hasn't been created yet?

Jonathan Stern - When planning this finance before with the IFD, we did meet with the San Francisco City Assessor. We talked both about what the overall valuation was likely to be and how we expected that to come in. What they said that they do technically is when they receive a final lease like something like this

and they look at the full construction period and do their first estimate and they would say, "When this comes to us as a completed project, we believe it will be worth \$50 million and it will be built over two years." They'll essentially ramp up and create a tax program, a payment plan and so we thought that the amount of money that we need in the early years, about \$150,000, conservatively we thought it would be there.

Commissioner Woo Ho - We are self-funding this and so that's not going to be an issue going forward.

Jonathan Stern - We believe that the plan of finance balances except for about \$33,000 we might have to borrow from somewhere else in the Port.

Commissioner Woo Ho - I think we can find \$33,000. My next question was related to the graph that you presented and I wanted to make sure that I understood that ODI expects to be repaid in their equity by 2022 and then our equity would be repaid through 2032, is that correct?

Phil Williamson - Yes, the Port's repayment period is 10 years.

Commissioner Woo Ho - Then the participation rent, the red bars, is where we're splitting both with Orton and ourselves, correct? It's not just our portion, correct?

Phil Williamson - That is correct.

Commissioner Woo Ho - I need to make sure I understand the black line which is the 20% bonus for the developer. It stops in year 2036 and that comes out of the red bar?

Phil Williamson - When the Port's pro forma percentage rent is exceeded, and there's a delta above that, 20% of that is an incentive bonus to ODI for beating projections.

Commissioner Woo Ho - Right, but does it come out of the red bar?

Phil Williamson - It comes out of the overage above the Port's percentage rent.

Jonathan Stern - Phil's correct, but there's two things about this chart I wanted to point out. One is that we said, the numbers presented on April 22, 2014, and unfortunately in the staff report don't include the larger soft costs that Phil identified earlier and that does have an implication on the repayment of both Orton and Port equity. This shows Orton equity being repaid in 2024 and Port equity starting to be repaid also in 2024 through 2033.

To clarify, the red areas of this chart only represent the Port's half of expected shareable revenues, i.e. our 50% participation rent. Anything above that would be subject to a bonus before we again started to split 50/50. These numbers shown under the black line represent about \$7.5 million of participation rent,

About 10 million total with our equity repayment in the first 20 years. If those numbers are exceeded, the overage would be subject to a bonus for the developer.

Commissioner Woo Ho - So when the black line stops which is in the year 2025 or 2026, I would have thought the red bars would have gone up faster because now you don't have the bonus.

Jonathan Stern - This is the pro forma to actually assess the bonus. This is our conservative pro forma, so this shows the full amount of the split. If we are lucky enough and Orton is as good a developer as they've been telling us, there will be more revenue and there will be revenue above that black line. Right now our pro forma that we're showing to the banks and we are showing to the loan committee and we are showing to the Port Commission today is a conservative pro forma and this shows the full amount of our split with no overage.

Commissioner Woo Ho - But you understand my logic of thinking in saying that once the black line stops, the red bar should be going up?

Jonathan Stern - There's more red bar in reality in which case it will go up.

Commissioner Murphy - Hats off to or heads up to the developer for being on the huff for \$14 million. I'm sure he knows what he's doing and from somebody who's put up their own money in projects down through the years so I know what that's like and I think this is going to be a great project. I'm really excited about it.

I've lived in San Francisco for 43 years now and I've driven over in that area thousands of times and you look at this eyesore and say, "When are they going to do something down there?" When you get our Director and all the staff negotiate a deal that works well for everyone and we're finally almost there. The lady that spoke a few minutes ago about Bethlehem Steel raising her family or educating her or whatever, it's my understanding that we're going to be using steel made in America, is that correct? It's going to be a lot of steel in there.

Phil Williamson - A lot of steel.

Commissioner Murphy - Somewhere along the line I heard that and I'm hoping that's the case. So first occupancy they say is 2016, do they have a prospective tenant for 2016 and which building is that?

Phil Williamson - If you recall at the last meeting, James Madison from Orton Development introduced Greg from the Blood Centers of the Pacific who will occupy Building 115 and 116.

Commissioner Murphy - Right and the other thing that I noticed is nobody here is in opposition of this project. Everybody is so supportive of seeing something happening at Pier 70. Just to start with these old buildings and bring them back to their former beauty is incredible. I'm in support of moving forward.

Phil Williamson - Thank you Commissioner. I'd just like to say that point that nobody's speaking in opposition today because thanks to Orton for their public outreach which has been very vigorous on this project working with Corinne and Toby and others to make sure the community concerns were addressed.

Commissioner Brandon - Thank you Phil and Jonathan for a wonderful presentation. I think Commissioner Woo Ho has asked most of the financial questions that I would've asked and so I want to thank Orton Development, Eddie and James for just doing a wonderful job working with the Commission, doing community outreach, working with the community to bring this project along and the fact that we're going to be able to save these historic resources and buildings and create jobs and in the process get a little money in return, I think it's absolutely wonderful. I want to thank all of you, the whole team for bringing this to us and looking forward to the ground-breaking.

Commissioner Adams - I want to thank Port staff, Phil, Jonathan, Byron, everybody -- you guys were great. Eddie, I want to thank you guys because you listened to us at the last Port Commission meeting. We told you to get the ball over. Eddie, you didn't let me down. I told you not to come in at the one yard line, you did a quarterback sneak and got it over and done. I'm seeing you with a big smile on your face. I totally support this project. The citizens of San Francisco are going to gain from this project and this will be a win. I'm really excited to see this project from beginning to end. Thank you very much.

Commissioner Katz - All my questions have been answered. I too want to just pile on the thanks to everyone on our staff that participated. You've all really done a terrific job and I feel very confident that we selected the right partners to work with us on this project. I want to thank Orton Development and like others have alluded to, everyone I've spoken to that's from the community that's had interaction with the team has had nothing but praise for the Orton response to questions and concerns.

Phil Williamson - On behalf of Port staff, thank you Commissioners and I would specifically like to point out the efforts of Kathleen Diohep who preceded me as Project Manager and carried the bulk of the weight to get us this far.

Commissioner Adams - To the red zone.

Phil Williamson - Yes, we're definitely standing on her shoulders here today.

Commissioner Katz - Thank you. I'm not sure why we keep using the football metaphors. I was going to say we have a baseball team on our property and sort of a basketball team may be coming down the street, but we lost our football team. I want to thank all of you. I want to highlight something Phil that you said and just echo it one more time. We're now going to return Pier 70 to the community and it really feels like that and it feels like everyone has taken that approach. I'm very excited and I hope the community has seen that as well.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution Nos. 14-32 and 33 were adopted.

- B. Request approval of a Special Event in excess of 90-days at Port property at Seawall Lot 337 pursuant to Lease No. L-14980 between Port and China Basin Ballpark Company, LLC (Resolution No. 14-34); and Request approval of Revocable License No. 15810 for Port property at Terry A. Francois Blvd. between the Port and China Basin Ballpark Company, LLC to be used as a parklet for public benefit. (Resolution No. 14-35), both activities to be coterminous with Lease No. L-14980. (This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code.)

Phil Williamson, Planning and Development– I'm here today to talk about a special event at Seawall lot 337. Pictured on this slide in the background with all the vehicles on it is Parking Lot A for the Giants, it's the primary parking lot for AT&T Park.

The Port Commission approved a lease for this site some years ago which this item is part of. You are not being asked to amend that lease today. The reason we're here before you for this special event is because the lease requires your approval if the special event is greater than 90 days in length which in this case it is.

The special event at 337 is pursuant to the existing parking lot lease, again is greater than 90 days in lease, anticipated to be up to three years in length. Installation would commence in July of this year with an opening anticipated in August 2014. The site identified in the right hand side of this picture, a very small percentage of the parking lot, 3%, about 18,000 square feet. The remainder of the lot of course would be available for parking and the event displaces 70 parking spaces.

In conjunction with a special event, there's a license also requesting your approval today, a revocable license for a portion of Terry Francois Boulevard to allow the use of Port property as a parklet which you've seen throughout the city. This parklet would complement the activity on Seawall lot 337.

The parklet along the curb lane would displace 11 parking spaces and comprise around 1700 square feet. On game days and event days when that portion of the street is closed to traffic for public safety reasons, the parklet could expand out into the street and activate that portion of the street for uses suitable for game day attendees. The special event and the license share the same timeline and the parklet we believe provides a public amenity benefitting the public trust.

On May 8, 2014, San Francisco Planning Department issued a class 3C categorical exemption, also called a CatEx exempting this project from environmental analysis pursuant to CEQA. Should the Port Commission approve

the resolutions attached to today's staff report based on the CatEx your action would constitute the approval action as defined by the administrative code and the CatEx appeal period would begin immediately thereafter.

Getting to the event and the parklet itself, we believe this is a very exciting use for this part of the city, a very needed use to introduce year-round presence south of the Mission Creek channel in an area today that is very desolate on a non-game day. We believe that Mission Bay and Waterfront communities would benefit from this enhanced use on a year-round basis. Of course it would have a benefit to the Giants fans attending games, taking advantage of this unique waterfront setting, not just passing through from their car to the game but also maybe staying there for the site and the views it affords and the amenities it provides.

It would become a central gathering place that would provide cultural programming and opportunities for active recreation for weekend visitors including picnickers and cyclists. The special event site would be open daily between the hours of 7:00 AM and 11:00 PM, again activating this isolated part of the waterfront and just by its presence alone and the vendors on site will enhance the security of the area.

The site includes the addition of several new restrooms to the site which is also a benefit both on game days and non-game days. The tenant is China Basin Ballpark Company for the parking lot, they already have an existing around the clock security for the ballpark and the Seawall lot parking site and that would be available to serve in this site as a security tool. CBBC would also maintain, operate and program the special event area and the parklet area at its own expense to ensure safe and inviting environment. Any use here would be subject to the existing lease as mentioned earlier with its requirement for good neighbor policies and zero waste events.

Regarding the fee proposal, again this lease that we're operating under clearly dictates the fee proposal to be submitted and in this case approved by the Port Executive Director. Working with CBBC we anticipate additional Port parking revenue from patrons coming to the special event site at an estimated amount of \$150,000 per year. We want to acknowledge up front that's speculative. We haven't done this before.

We don't really know how many people are going to come by car to park at the site but we think \$150,000 is feasible and achievable. But at a minimum, we have negotiated with CBBC to guarantee that the Port get at least its parameter rental rate for this type of space in the Southern Waterfront which is \$77,000 per year. Once the initial investment by CBBC is recaptured through the project revenues itself, the Port would share in 25% of net revenues beyond that and that's anticipated to occur in the third year of operations.

On the parklet side, for the reasons identified in this slide, Port staff is recommending a fee waiver. We believe for these six reasons that there is

significant public benefit from the parklet itself. Again it's free of use, free of charge. It's active 24/7. It's maintained and programmed and it doesn't generate other revenues to CBBC or the Port during this period of time. It's purely basically a parklet, a park open to the public to enliven the area, attract people to the waterfront and provide public access and raise awareness to the waterfront. So for those reasons, Port staff recommends and suggests a fee waiver for the license area.

We have done extensive community outreach with this proposal. On April 10, 14 and 16, 2014, we met with the Mission Bay Citizen's Advisory Committee, the Rincon Point South Beach Mission Bay Neighborhood Association and the Central Waterfront Advisory Group and received good feedback, suggestions which have helped improve the project and generally heard an excitement from the community that this would be coming to the neighborhood.

We heard some great ideas on what types of retail would really be a homerun here, so to speak. Following today's Commission hearing and assuming approval at this moment, we would proceed to issue building permits in June. Commence installation of the improvements in July and open it to the public in August. At this point in the presentation, I'd like to introduce Fran Weld, the Director of Real Estate for the San Francisco Giants to provide more details about the concept for the site.

Fran Weld - That was a great summary of the last six months of work that we've done on this topic. Thank you Commissioners and congratulations again Monique on your 10 wonderful years here.

Monique Moyer - Thank you.

Fran Weld - Phil already touched on some of the goals and the shared goals that we have for this space. It's about public activation and place-making in this area of waterfront that currently on non-game days is quite lacking in terms of activation. This is not a new problem. Cities and landowners around the world are dealing with this issue and we wanted to bring a couple of examples on where we've drawn inspiration from successful activation in public space projects really around the world.

The first slide that I'm showing is a fun project that came out of a sad experience in Christchurch New Zealand after the earthquake, the entire downtown core was decimated. The local municipality there grouped together with support from the international community, and they built a shipping container village on the ruins of what used to be their downtown. This proved an extremely important catalyst for them for revitalizing the area and bringing life and energy and retail into what was at that point an abandoned zone.

This is a very casual, fun, outdoors type consistent with a New Zealand identity and then this next example is one that's in London which is a little bit more of a sophisticated shipping container pop-up village. In also an abandoned, formerly

abandoned area called Shore ditch which was industrial zone which the city is starting to move into that area.

A few great examples around the world and we also have them here in our backyard in San Francisco. We think the Presidio's done a remarkable job in terms of activating space and bringing people to a new area of the City that they hadn't formerly seen. Then perhaps most relevant to the work that we'd be looking at with this special event is the Hayes Valley revitalization that happened when the Octavia freeway was demolished. The City partnered with a local group to bring in shipping container pop-up style retail and they've done a remarkable job of integrating the public space and park component with small business encouragements.

This is a picture of Smitten Ice Cream which does liquid Nitrogen ice cream. It's a big hit with most of the neighbors and this was one of their first stores. They were so successful and had so much exposure that they are actually just last week opening their fifth store in the Rockridge area of Oakland.

You can use these shipping container modular pop-up villages to encourage and incubate entrepreneurs which is exactly what we've been working with Port staff and City staff on doing here. We spent a lot of time working with the community in the last six months on what elements do we want to take and copy in our area and what do we want to do new?

First and foremost, it's about public access to the waterfront and providing amenities and activities for the public that make coming down to the waterfront easier. We are talking about anything from the restrooms that we're providing to water fountains to bicycle parking in addition to some great wooden stadium style seating that we will be installing as part of this and children's activities that will be programmed on the space throughout the year.

The next thing we heard from the community that they desperately needed more of was coffee. We are going to be including a coffee window as part of this. That's why you may have been confused about the 7:00 AM start time on the operations. That's why that's there. We think it's a great place not only for the community but for a lot of the commuters who are coming into the downtown from the Southern part of the city.

This neighborhood is also sorely lacking in food options. We've partnered with a wonderful organization called La Cocina. They are a non-profit out of the Mission and they are an umbrella organization that help cultivate and incubate food entrepreneurs.

They've been very successful with this. We especially like that they have very high levels of women owned, minority owned and immigrant owned food businesses. They help people start up these organizations and grow them and scale them. They're interested in coming to this site particularly because of that

physical characteristic of that being a smaller store where they can test out new ideas before growing to a bigger brick and mortar location elsewhere.

No community would be complete without a beer garden so we are working with Anchor Brewing and Distilling to install a beer garden on this site complete with wooden picnic benches and tables. We won't have as much more beautiful trees there but we will have some green wall and vegetative elements to the beer garden corner.

Anchor is also working with an existing Port tenant, 4505 Meats, which has a presence here in the Ferry Building and just opened their newest brick and mortar location in Divisadero. So sort of driving home this theme but I hope you're picking up this theme of helping small businesses grow. We've worked hard to partner with a lot of local, very small start-up businesses and it's been fun and rewarding.

Lastly an element of this will include some hard retail, not just food. You heard from Kate Sofis earlier today who voiced support for the Pier 70 project for having space in the City to actually manufacture goods, but you also need a space to sell it so we've been working with SFMade and their portfolio organizations to rotate through this special event and have spaces within the activation project that they will be able to sell out of.

Finally we believe heartily in programming and it's a year round event. This is not just a ballpark, not just a game day event. We are working hard to come up with a full calendar of anything from Wednesday night yoga on the deck to monthly film festivals to bringing some of the larger City festivals down to the waterfront.

I'm going to end with just some renderings of what this installation will actually look like. This is a zoomed out version on the bottom of the slide. I'll zoom into three separate areas of it but again just highlighting the design elements of waterfront viewing, public amenities from restrooms and bicycle parking, coffee, food and of course the beer garden.

The final three slides I'll show are going to take you from West to East. You are currently looking South, so the China Basin is behind you and the Ballpark is behind that. You'll see the new Public Safety Building and the rest of Mission Bay being built out in the background of this slide. You have the coffee window, the street food patio, and picnic tables and chairs. Those can be used by the public at any time. You don't need to buy something here to come down for a picnic.

The middle portion of the site is going to be exciting with giant stairs and actually built into those stairs are picnic platforms so you can spread a blanket out and have the family come on down. With the little bit of elevation, you can see out over the water to the South Beach Marina and the Bay Bridge beyond. We think

that will be a very fun place for people to come down. Finally the furthest east portion will be the beer garden and the 4505 pub food container.

Phil had spoken about the license agreement and I didn't show that here because when you end up doing the rendering, it blocks your view of the rest of the activation. If you imagine that white strip just in front of the blue promenade that's shown here, that's where those parklets will be. That will have additional wood seating with vegetation that blocks off and provides a safety buffer for the street.

Corinne Woods - I'm here wearing two hats. We had a presentation at the Mission Bay Citizen's Advisory Committee and also at the Central Waterfront Advisory Group and there was a great deal of support. In fact it wasn't as much the C wagon, Mission Bay C, as it was the neighborhood. We are all looking forward to having activation of this seawall lot while the long-term planning moves forward for Lot A. We're very excited about the ideas that the Giants have come up with for this interim use and hope you can approve it. Toby would've said the same thing. Thanks.

Commissioner Brandon - Doreen does such a good job on the financial questions, she might want to start.

Commissioner Woo Ho - First of all I think it's very exciting and I think it's great to see we're going to have some activation. Actually my son lives in Mission Bay and he's going to be very excited to hear there's going to be something to do after hours and on weekends and coffee and all that so I think it's great.

I'm trying to understand this project as I read it as temporary but now I'm understanding from your pictures this is going to be up all the time. It will displace 70 parking spaces and it will be available on game days as well so people who park there will be able to go and utilize this but it will be this sort of like these mobile trailers concept. There is a part of this that is permanent infrastructure such as restrooms, etc. permanent improvements.

There are the other things that are temporary improvements that could be moved easily. Can you give us a ballpark of how much investment you're putting in? Because Phil mentioned it was going to be three years before we would be able to participate in the revenue. How much will you be investing?

Fran Weld - We are still working through the final construction budget so I'm not prepared to give our final investment numbers. We've been working with the Port as we've gone through some of those iterations and they will have that information when it is complete but we're still going through the value engineering process for it right now.

I also wanted to clarify the difference between temporary and permanent. All of these improvements will be considered temporary under the building permit and they're going through a modular building permit process, including the

restrooms. Even though they will be onsite, open, available to the public year round, technically because they are shipping containers and can be moved and taken off site it's considered a temporary improvement.

Commissioner Woo Ho – But they will be open almost daily.

Fran Weld - It will be open daily 363 days a year, or whatever we are ultimately able to agree with our operators but we're pushing for the maximum.

Commissioner Woo Ho - What happens to Cirque Du Soleil, does that mean that they're not going to be on the site anymore or is that going to be a coexisting use that comes periodically?

Fran Weld - I've just flipped back to that first slide. The area in yellow is the total amount of space that we're taking up. It's less than 3% of the overall Lot A. Existing tenants and special events, like Cirque Du Soleil, and other CBBC special events that go on such as corporate rentals, will all be able to still happen on the site, coexist, and hopefully this will benefit patrons of all of those other special events.

Commissioner Woo Ho - So we do participate in the revenue once you recapture your investment here. As far as our participation in any of the other special events that are on the site, what happens there Phil?

Phil Williamson - That's a very good question. As mentioned, this special use, special event conforms to the existing lease. The existing lease is a parking lot lease with a provision to allow special events, to allow Seawall Lot 337 and Pier 48. The Port does participate in those events. There's a schedule for fees for Pier 48 that was agreed to and negotiated.

The larger events like this one require a direct negotiation. For instance, you mentioned Cirque Du Soleil that requires an annual direct negotiation with the Giants to agree on a fee proposal. Largely for events like that that attract a driving audience and can charge significant amounts for things like parking, the Port's main benefit is in additional parking revenue.

Commissioner Woo Ho - Fran, since this is going to be a test as you go project, do you anticipate changing out some of the tenants as you find that some are more popular than others or the demand is different or how do you anticipate that?

Fran Weld - That's a great question and absolutely, it's a balance between helping the small businesses and wanting to see them grow and then also being able to say, "This might not be the right place for you."

Commissioner Woo Ho - Or a conscious rotation. You may be consciously rotating everybody three months or four months or whatever, trying to make it more interesting so people come back again.

Fran Weld - Particularly on the retail, not the food, there is going to be definitely a conscious sort of curated rotation almost and it will line up with different seasons as well. So in the summer and early fall when the weather's nice, we'll likely have lots of recreation sales people in those containers. Bike shops, things like that. In the wintertime, we'll ship it to more of a holiday market type of tenant.

Commissioner Woo Ho - Christmas fare would be great or something like that.

Commissioner Katz - Are there any plans to put up any kind of screens during the games so people can sit out and watch the game on the screens?

Fran Weld - Yes. We think that would be really fun. We're trying to work through all of the technical issues associated with screens in daylight but we're trying to shade them and get the right devices so that would be the idea.

Commissioner Katz - My understanding, since this is a special event and it's a temporary facility, I'm assuming that if Prop B passes, that it would not be subject to the height restrictions under Prop B so you wouldn't have to go to the voters to allow a 10 foot tall container to get located on the site.

Phil Williamson - Yes, Commissioner that is correct. Again this use conforms to the existing lease which allows special events and we are specifically seeking temporary use authorization from the zoning administrator for this use.

Commissioner Brandon - So is this a three year lease?

Phil Williamson - The parking lot and special event lease for the larger 337 and Pier 48 site was a five year lease. It expires in March 2017 and so we're operating under the terms of that lease. It has approximately three years left.

Commissioner Brandon - You said the improvements are going to take three years to recoup, whenever we figure out what those are.

Fran Weld - Right, well in the third year. So there's the first year, the second year and then in that third year, so in that final year of what would be under our existing lease, we anticipate a break even situation and then starting to have the Port participate in revenue sharing.

Commissioner Brandon - How do we anticipate that if we don't know what the investment's going to be?

Commissioner Katz - As part of that clarify thought that we will still receive the rent that we're currently receiving so we'll be net neutral and would just do revenue sharing after the cost has been recovered.

Phil Williamson - Exactly. The way the lease was structured, the master lease that we're operating under, it recognized that as a concern early on and in the lease that was approved two and a half years ago it required that at a minimum these special events of these longer terms meet that requirement I mentioned earlier about minimum parameter rental.

If you took the square footage for this site, 18,000 square feet rent and use the minimum parameter rental that the Commissioner approves every year, that's the \$77,000 number we talked about. At a minimum, the Port is guaranteed that number.

Commissioner Brandon - But right now we're getting \$70,000. We're guaranteed \$77,000?

Phil Williamson - Right, it's the greater of those two numbers. So we negotiated for the higher number.

Commissioner Brandon - So we'll get an additional \$7,000.

Phil Williamson - At a minimum.

Commissioner Brandon - And then, once we break even, if we ever break even once we figure out what the investment's going to be --

Phil Williamson - At a minimum.

Commissioner Brandon - Where does the \$150,000 come from?

Phil Williamson - Fran worked with the parking lot operator. ImPark operates this lot on behalf of the Giants and looked at ImPark's past performance of this site to generate a per space revenue number and then looked at potential increased patronage to the site and if somebody drove to the site to go to the beer garden or to one of the retail shops, how long would they stay? There's some assumptions made behind that number, but Fran can speak to the conservative nature of those assumptions which we could achieve.

Fran Weld - As Phil mentioned, it's largely about increased patronage and the Parking Lot A parking revenues increasing people will actually be coming down here on other than a game day to use this site. We do believe it's a conservative estimate, the \$150,000 particularly given we budgeted for 12 special event program festivals a year and we anticipate doing more than one a month, more like every few weeks once we're up and running so we do think that \$150,000 projection for increased revenue on Lot A is conservative. But as Phil mentioned, the lowest number that the Port would receive from revenue with this special event is \$77,000 and that's the parameter rent for industrial space at 35 cents a square foot.

Commissioner Brandon - So how are we paying back the investment?

Fran Weld - The CBBC is making the upfront investment. The question is how is the Port paying it back?

Commissioner Brandon - Right.

Fran Weld - The Port is not on the hook to pay back our upfront investment. The tenants will be paying rent to us. We additionally may have some additional revenues from the special events that happen on site but it's largely through tenant rent.

Commissioner Brandon - So there is a possibility that we'll never recognize a 25% participation?

Fran Weld - That is a speculative profit sharing upon break even, yes.

Commissioner Woo Ho - I understand this is a very hot potato in terms of understanding, but since this lease expires in 2017 and let's just take two scenarios. Let's assume that we didn't think there was a Prop B and you were going along with your development plans for Lot A as envisioned, you would be wanting to renew this in 2017 for how many more years? If we do have Prop B which says maybe your timeline will have to be extended even further, what's the intention at the end of 2017?

Phil Williamson - March of 2017 is when the parking lot lease expires, so if we are in the same situation we are today as far as the larger project, my inclination or my guess, if you will, is that we would come to you for an extension of that parking lot lease. I think we recognize a parking lot need, parking need for the ballpark.

We would probably come back to you for an extension of that lease or renewal of that lease at that point in time. If the project itself were on its scheduled performance, making all its benchmarks, the larger project. As you may recall from some prior presentations, that project envisioned a master lease scenario where the whole parking lot becomes a master lease and then as the larger project is developed by parcels, the parking lot kind of shrinks down.

The beauty of this temporary installation is that it can move if it's successful and doing well and the Port is finally participating in the upside, it can be relocated on the site to continue operating into the future, assuming again that it's successful. Does that answer your question?

Commissioner Woo Ho - Sort of. So one way or the other we would then hope that because it sounds like in the first three years, the chances of any participation on our side is really a question mark but we would have to look in the outer years. Under either scenario, whether the larger project survives as it is planned or if there is more delays because you have to go through more approvals over the current ballot scenario that we're facing. Is your intention to want to extend? You don't necessarily have to say for how long because there's

so many uncertainties and variables that we don't have answers to at the moment, but the intention would be to extend?

Fran Weld - Correct. Our intention would be that this special event would be in use for all of the terms under which our parking lot lease is happening. So regardless of the reason for the parking lot lease happening, it's important legally that this is not part of the overall development. This is part of the parking lot lease but if the parking lot lease were extended or renewed our intention would be to keep the special event and that is where you get more of the profit sharing potential.

Commissioner Murphy - I think it's a very nice project. Food court, beer garden all wrapped up in one. It would be great for getting young people and families together. I think it's a great addition to that area. I'm sure you'll let us know when you figure out your expenses and all that where we are at that time.

Commissioner Woo Ho - Maybe you can tell us the timeline of when you think you will have that answer and at some point we'd like to get another update on it.

Fran Weld - Under the timeline Phil indicated we'd like to start construction by July, so hopefully we'll know the cost of that before then. We are working hard, fast and furious. I'm spending all day tomorrow with the contractors. We anticipate by the end of May that we would have that budget more tightly defined. We will be sharing that with Phil and with Port staff.

Commissioner Woo Ho - We could request a report or an update at another Commission meeting in late June or July.

Monique Moyer - Okay, we only have one meeting in June so it would be July.

Phil Williamson - I'd like to suggest a solution if you will. Again the master lease gives us a lot of guidance about how to operate special events at this location and the master lease requires revenue reporting. There's a methodology in place already where the Port does report special event revenues that are conducted on the site. We would make sure we have a methodology in place that specifically addresses the expense being made, tracks the revenues that are coming in from the tenants of the site to properly identify the point in time when they have recouped their investment, and at that point forward, the Port would participate. I would suggest that the existing lease provides the structure to accomplish that goal. That said, we can still come back to you with an update.

Commissioner Woo Ho - We're just trying to understand what the investment is and what we can forecast. It's not so much questioning for that, it's just so we can get a better sense.

Monique Moyer - Is your policy direction to proceed or do you want to hold off on the approval.

Commissioner Woo Ho - We're saying proceed but we'd like to know at some point once all the variables are nailed down that we would just understand that.

Monique Moyer - Okay.

Fran Weld – Phil's idea is a great one. We would be happy to incorporate this into our normal reporting standard for the lease.

Monique Moyer - Good idea.

Commissioner Katz - Thank you again. I think it's a great idea. It's a very welcome addition to a rather barren area right now and it's also a great location by that little strip of grass there. It will hopefully activate that a bit more. Thank you for coming up with this and look forward to hearing more about it.

ACTION: Commissioner Woo Ho moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution Nos. 14-34 and 35 were adopted.

13. REAL ESTATE

- A. Request approval of Memorandum of Understanding (MOU) M-15747 between the Port of San Francisco and the San Francisco Municipal Transportation Agency (SFMTA) for use of a portion of Seawall Lot 354 (also known as 1399 Marin Street) for general office, general warehouse, storage, related parking of SFMTA staff vehicles, maintenance and repair of SFMTA buses including fueling and washing of same, and for incidental directly related uses and for no other purpose for a term of seven years and a waiver of the security deposit. (Resolution No. 14-36)

Susan Reynolds - I want to add my congratulations and thank you for 10 years to our executive director. I haven't been here all that long. I've been here seven years and you have been an inspiration, a guider, a teacher, a mentor and thank you very much for everything you do for me and the Real Estate Department.

Monique Moyer - Thank you very much.

Susan Reynolds - I'd like to thank Kerstin Magary and Ted Aranas from SFMTA who are here to answer questions and also Rich Berman and Shannon Alford from the Real Estate Department that have worked closely with MTA to get us to this new MOU.

SFMTA has occupied 1399 Marin Street since 2001 and we've had an MOU. The action being requested today is the Commission's approval of a new MOU for the continued use of 1399 Marin Street for general office, warehouse, storage, parking and repair of SFMTA busses. Washing is stated in the use but it's not a current use and will be strictly controlled by the Operations Plan that

Rich and Shannon are working with the Operations Team at SFMTA to get approved.

The rents are in accordance with the Commission's approved parameter rents. We will continue to get rents but we are requesting today is rather than our standard five year term, this would be a seven year term. We are also asking for a waiver of the security deposit as this is another City department and typically the controller doesn't like us to hold huge amounts of funds between departments.

We will be asking for our standard environmental deposits for any mitigation of spills or toxic problems that will arise over the next seven years. The estimated rent per year will be approximately \$746,000 and that will increase 3% annually. The operations plans are being updated to reflect current environmental regulatory requirements and best practices.

We brought this item before the Southern Waterfront Advisory Committee and they did support the continued use. A benefit of this ongoing use, rents from this facility will contribute approximately \$40,000 per year to the Southern Waterfront Community Benefits and Beautification Policy.

Commissioner Woo Ho - Is our convention when dealing with another City department an MOU versus lease?

Susan Reynolds - Yes.

Commissioner Katz - This MOU is essentially just continuing what already exists. My concern has been answered in that there won't, given our earlier item, where we're looking at ensuring that construction toxins don't get into the Bay. I'm assuming then, because I read that the washing does not take place there and measures are taken to ensure that there's no flow of oil or other items into the storm water system or anything else there.

Susan Reynolds - Currently there is no washing being done there. If they propose to put a washing station, they will be required according to the operations plan to have a washing station which captures the water and puts it into the combined sewer and also separates oil that will not go into the water.

Commissioner Brandon - Can you tell me a little bit about the beautification efforts that are going to go on there?

Susan Reynolds - As you know as part of our Southern Waterfront Beautification Policy, we capture parts of the rents.

Monique Moyer - She's asking specifically about the beautification improvements. I think the Commissioner knows very well how the process works.

David Beaupre, Planning and Development - As Susan indicated, we anticipate about \$40,000 a year to go toward the Southern Waterfront Beautification fund. We haven't identified specific projects but I will highlight that MTA as part of their adjacent bus facility on Islais Creek helped us in the emergency removal of the Copra Crane. They've been instrumental in helping with that. That's something that they've done in the past.

Commissioner Brandon - Thank you David and I really appreciate that. But I'm speaking specifically to what's in the staff report in examples of desired benefits include, beautification, greening and maintenance of any other entrances to the premises. I'm talking about around the area, what are they going to do to beautify the area? There are other things, like use of machines at premises that are low emission, diesel equipment, clean air program. I'm talking about more of those things. It's a great list of things that can be done but I am asking specifically if there are any plans in place?

Kerstin Magary, Senior Manager of Real Estate for the SFMTA - Thank you for taking the time to hear about this proposed extension of the MOU. We at the MTA have produced a real estate and facilities vision for the 21st century. We are bringing our facilities, three of which are more than 100 years old into the 21st century. To do this, we need to be able to do what's called the shuffle and be able to move things out of the facilities, rebuild them and then prepare for a growing population in San Francisco and also a growing fleet. We're getting bigger busses next year so this facility at 1399 Marin will be one of the key lynchpins in helping us be able to provide a place to have our reserve fleet which serves for emergencies and special events.

In addition, we have a new facility across the street where we have actually built, as part of the Islais Creek project, a new park along the Bay's edge. We have a new public park available as well as the open space that's already facing on the south side of the 1399 Seawall lot.

Our Islais Creek project will be a brand new bus maintenance and operations yard. It actually now has a fueling and wash facility and it will have an operations and maintenance building as part of its Phase II project. We will not be washing busses at 1399 Marin. We will be doing that across the street and at our other facilities.

Commissioner Brandon - Are there any upgrades planned for this facility?

Kerstin Magary - In terms of parks and things like that?

Monique Moyer - Planter boxes, pedestrian walkways, other enhancements.

Commissioner Brandon - There's a whole list of things that you're saying are going to be considered for this site.

Susan Reynolds - What you're reading Commissioners is the text of the policy and those are examples of different things that can be done but nothing specific other than setting aside the funds to improve the Southern Waterfront . There's been nothing specific negotiated yet that calls out specifically what they're going to be doing.

Commissioner Murphy - I think what Commissioner Brandon is looking for is she wants that outlay, what is going to be done? That obviously hasn't been done.

Monique Moyer - I think there's some confusion here, I'm confused too. There's a difference between what the Port sets aside from our rent into the Southern Waterfront Beautification Fund. When you put this paragraph in and I asked you what SFMTA was doing, that was what the response was here. So this reads as what SFMTA is doing but I think what you're saying, "No, this is the basket that we would do with our Southern Waterfront Beautification Funds. What is SFMTA doing? Has it even been broached?

Susan Reynolds - We've talked about it.

Monique Moyer - It doesn't sound like Kerstin has any idea that there's supposed to be beautification on the site.

Susan Reynolds - Part of it was their other project with the park and we can talk about other things but nothing has been penciled in to the MOU that says this is specifically what's going to be done but it's not going to be ignored.

Commissioner Katz – If the Commission is going to approve the extension I would like someone to talk about specifically what will be done pursuant to the stated requirements to beautify or at least upgrade that particular site. Looking at the pictures now, it looks pretty dismal. As I read the staff report, something was going to be done, be it greening along the sidewalk, putting up trees or at least something so you're not just looking at a maintenance shop there.

Susan Reynolds - We will.

Monique Moyer - But not with the Southern Waterfront Beautification Fund. There are two sources, right? One is the Southern Waterfront Beautification Fund which the Port Commission programs annually as part of their projects.

Susan Reynolds - Right.

Monique Moyer - The other is what the tenants do. I'm not clear that there's an expectation. Kerstin, do you anticipate that SFMTA's been asked to do this stuff?

Kerstin Magary - Not yet.

Monique Moyer - Commissioners, I'd like to put this item over. We'll come back to you with a more defined vision. Thank you Commissioner Brandon.

14. NEW BUSINESS

Monique Moyer - Apparently we have a lot of new business Commissioners, do you want me to regurgitate it?

Commissioner Brandon - No, we trust you.

Monique Moyer - Thank you for that. Anything else from the Commissioners?

Commissioner Katz - I have one last item. As you've probably notice, there is a small gathering outside.

Monique Moyer - Which reminds me, I meant to say that we have our Budget Hearing tomorrow morning at the Board of Supervisors so that was my work plan for tonight. I did want to make sure that you know that tomorrow morning we will be in front of the Board of Supervisors. I mentioned that in my Executive Director's report the last meeting. I meant to mention that at new business.

Commissioner Katz - I was going to ask you to join us for just a moment of cheer outside for your ten years of service to the Port.

Monique Moyer - Great. Thank you so much, that's very, very, very generous.

Commissioner Woo Ho - Were you planning to recap what you thought was new business items that you heard today or not?

Commissioner Katz - We'd agreed that we don't need to.

Commissioner Woo Ho - I heard you say there's a lot of new business.

Monique Moyer - The Commissioners felt that I probably had the list but I'm happy to regurgitate it. We have asked the City Controller to come and report on their contracting best practices report when it is ready. We are going back to the drawing board with the Bar Pilots and, I'm not really sure what we're going to do there yet. That's on my work plan for this evening. We are to come back with the Seawall Lot 377 pop-up list of infrastructure expenditures in more of a pro forma, I guess is how I would interpret that comment. We are to bring this item back after we've concluded with SFMTA on beautification of the 1399 Marin site. I think that was it, but then we'll be back with the action item on the Metro's contract for Piers 27/29. There were a lot of follow-up items on that one that I didn't enumerate. Did I miss anything?

Commissioner Woo Ho - That sounds accurate.

15. ADJOURNMENT

ACTION: Commissioner Brandon moved approval to adjourn the meeting in memory of John Legnitto, Vice President and Group Manager, San Francisco Region, Recology. Commissioner Adams seconded the motion. All of the Commissioners were in favor.

Port Commission President Leslie Katz adjourned the meeting at 6:25 p.m.

SAN FRANCISCO PORT COMMISSION

Leslie Katz, President
Willie Adams, Vice President
Kimberly Brandon, Commissioner
Mel Murphy, Commissioner
Doreen Woo Ho, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax 415-274-0412

AGENDA
TUESDAY, MAY 27, 2014
2:00 P.M. CLOSED SESSION
3:15 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

1. CALL TO ORDER / ROLL CALL
2. APPROVAL OF MINUTES – May 13, 2014
3. PUBLIC COMMENT ON EXECUTIVE SESSION
4. EXECUTIVE SESSION

GOVERNMENT
DOCUMENTS DEPT

MAY 23 2014

SAN FRANCISCO
PUBLIC LIBRARY

- A. Vote on whether to hold closed session.

- (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative:

- a. Property: Daggett Street, located between 7th and 16th Streets
Person Negotiating: Port: Susan Reynolds, Deputy Director, Real Estate
Mark Lozovoy, Assistant Deputy Director, Real Estate
*Negotiating Parties: John Updike, Director, Department of Real Estate

Under Negotiations: ___Price ___ Terms of Payment ☒ Both
The Port and the City's Department of Real Estate are negotiating an interdepartmental transfer of Daggett Street, a one-block paper street between 7th and 16th Streets. In this executive session, the Port's negotiator seeks direction from the Port Commission on factors affecting the price and terms of payment, including price structure, financing mechanisms and other factors affecting the form, manner and timing of payment of the consideration for the property interests. The executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California.

- b. Property: Ferry Plaza Limited Partnership, a portion of the Ferry Plaza located at the Embarcadero and Market Street
Person Negotiating: Port: Susan Reynolds, Deputy Director, Real Estate; Mark Lozovoy, Deputy Director of Real Estate
*Negotiating Parties: Alfred Tom, Ferry Plaza Limited Partnership

Under Negotiations: ___Price ___ Terms of Payment ☒ Both
The Port and Ferry Plaza Limited Partnership ("FPLP") are negotiating an amendment to FPLP's existing lease for the property. In this executive session, the Port's negotiator seeks direction from the Port Commission on factors affecting the price and terms of payment, including price structure, financing mechanisms and other factors affecting the form, manner and timing of payment of the consideration for the property interests. The executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California.

5. RECONVENE IN OPEN SESSION

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.
- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room

of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during Public Comment Period. A member of the public has up to three minutes to make pertinent public comments. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406. No Commission action can be taken on any matter raised during the public comment period for items not listed on the agenda other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

9. EXECUTIVE

- A. Executive Director's Report
- Report on the Sale of Port Revenue Bonds, Series 2014
 - Update on the Port's Fiscal Year 2014-16 Biennial Operating and Capital Budgets hearing at Board of Supervisors
 - Report on Pilot Donor Recognition Program in association with OneSF: Celebrate the Cup at Piers 27-29
 - Report on Port Maintenance work building 9 Fenders at James R. Herman Cruise Terminal, Pier 27
 - Update on Drydock Bookings at BAE SF Ship Repair
- B. Commissioners' Report

10. CONSENT

- A. Request approval of Memorandum of Understanding (MOU) M-15747 between the Port of San Francisco and the San Francisco Municipal Transportation Agency (SFMTA) for use of a portion of Seawall Lot 354 (also known as 1399 Marin Street) for general office, general warehouse, storage, related parking of SFMTA staff vehicles, maintenance and repair of SFMTA buses including fueling and washing of same, and for incidental directly related uses and for no other purpose for a term of seven years and a waiver of the security deposit. (Resolution No. 14-36)

- B. Request approval of a fee waiver for a revocable license which allows the Flaming Lotus Girls to temporarily install public art near Mission Street on the east side of The Embarcadero, on a plaza between the Agriculture Building and Pier 14 for a term of 13 months. (Resolution No. 14-37)

11. MARITIME

- A. Request approval of the Cruise Terminal Management Agreement and License with Pacific Cruise Ship Terminals, LLC for the James R. Herman Cruise Terminal at Pier 27, Pier 35 and Piers 30-32 at the Embarcadero and Lombard, Bay and Bryant Streets, respectively. (Resolution No. 14-38)

12. PLANNING AND DEVELOPMENT

- A. Informational presentation on the Port's Strategy to remove deteriorated and non-functional creosote treated and other piles, piers and wharves along its Southern Waterfront.

13. REAL ESTATE

- A. Informational presentation regarding the Fiscal Year 2014-15 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates.

14. NEW BUSINESS

15. ADJOURNMENT

COMMUNICATIONS TO PORT COMMISSION

From May 9 to May 23, 2014

- From Toby Levine and Corinne Woods, Co-Chairs of the Central Waterfront Advisory Group, regarding Orton Development Project at Pier 70

**FORWARD CALENDAR
(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)**

JUNE 10, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation on Current Operations and Expansion Potential of Water Taxi Service Along the San Francisco Waterfront
2	Portwide	Informational	Presentation on Finger Pier Exiting Code Analysis/Model Guidelines
3	Pier 50	Informational	Presentation on disposal of Drydock #1 currently moored at Pier 50.
4	Portwide	Action	Approval of the Fiscal Year 2014-15 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates
5	Portwide	Action	Approval to issue a Request for Proposals (RFP) for Architectural/Engineering Services Contract for the Completion of an Assessment of the Port's Seawall
6	Portwide	Action	Approval to issue a Request for Proposals (RFP) for a contract for Youth Employment Services
7	Pier 27	Action	Approval of a resolution authorizing acceptance of an art gift referred to as the James R. Herman tribute to be installed at the James R. Herman Cruise Terminal at Pier 27, and authorizing the Executive Director to enter into an agreement regarding the terms of operation and maintenance for the tribute
8	Submerged lands between Pier 28½ and foot of 23 rd Street	Action	Approval of License 15762 with Pacific, Gas and Electric Company for the ZA-1 Embarcadero-Potrero 230kV Transmission Project for approximately 435,600 square feet of submerged land between Pier 28½ and the foot of 23 rd Street, 52,272 square feet of underground access for horizontal directional drilling and 21,120 square feet of land along 23 rd Street for a 40 year term, with a 26 year option.

JULY 8, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation on the Fifteen-Year Review of the Waterfront Land Use Plan
2	Pier 80	Informational	Presentation on Cargo marketing Plan for Pier 80 in conjunction with Metro Ports and the International Longshore and Warehouse Union

3	Piers 30-32	Informational	Presentation on costs to maintain Piers 30-32
4	Embarcadero	Informational	Presentation by the San Francisco Municipal Transportation Agency regarding the Embarcadero Enhancement Planning Project
5	Portwide	Informational	Presentation on Phase 2 of the Waterfront Transportation Assessment by the San Francisco Municipal Transportation Agency in partnership with the San Francisco County Transportation Authority
6	SWL 337	Informational	Presentation regarding a special event in excess of 90-days at Port property at Seawall Lot 337, including a review of the special event's proforma, pursuant to Lease No. L-14980 between Port and China Basin Ballpark Company, LLC.
7	Portwide	Action	Authorization to advertise for competitive bids for Construction Contract No. 2769, Port Security Fences Project, Phase 4
8	Pier 31	Action	Authorization to advertise for competitive bids for Construction Contract No. 2762, Pier 31 Building and Roof Repairs
9	Portwide	Action	Approval to Award an As-Needed Contract for Hazardous Waste Transportation and Disposal Services
10	Pier 35	Action	Authorization to award Construction Contract 2765, Pier 35 Building and Roof Project

AUGUST 12, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Action	Authorization to transfer the State Board of Harbor Commission's historical records from 1863 to 1969 to the California State Archives
2	Cesar Chavez Street, Islais Street and Pier 90	Action	Authorization to award Construction Contract No. 2758, Bayview Gateway & Tulare Park Projects

SEPTEMBER 9, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation by the San Francisco Planning Department regarding interagency coordination with the Port of San Francisco for waterfront planning and urban design

	FACILITY/POLICY	ITEM	TITLE
1	Pier 31	Action	Authorization to award Construction Contract No. 2762, Pier 31 Building and Roof Repairs

DATE TO BE DETERMINED

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation by City Controller on Best Practices for Public Works Contracts
2	South Beach	Action	Port Commission's consideration of agreements between the Port Commission and the Successor Agency to mutually terminate 13 ground leases in the South Beach project area and set business terms for the transfer of the South Beach Harbor Program
3	Pier 70	Action	Authorization to advertise for competitive bids for Construction, Crane Cove Park Project Phase 1
4	Pier 94 and 96	Action	Authorization to advertise for competitive bids for Construction, Pier 94-96 Storm Drain and Outfall repairs
5	Loading Dock near Tulare Street	Action	Authorization to advertise for competitive bids for Construction, Copra Crane Refurbishment
6	Daggett Street	Action	Approval of Memorandum of Understanding between the Port and the City's Real Estate Department authorizing the jurisdictional transfer of the Daggett Street Right-of-Way from the Port to the City for a transfer fee of \$1.6 Million
7	3rd Street & Cargo Way Triangle and Cargo Way	Action	Authorization to advertise for competitive bids for Construction, Quint Street Lead Improvement Project
8	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Substructure Repairs

JUNE/JULY 2014
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
June 10	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
July 8	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or mark.paez@sfport.com

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david.beaupre@sfport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfport.com

ACCESSIBLE MEETING INFORMATION POLICY

FERRY BUILDING:

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at solt@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

NOTICES

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

CEQA Appeal Rights under Chapter 31 of the San Francisco Administrative Code:

If the Commission approves an action identified by an exemption or negative declaration as the Approval Action (as defined in S.F. Administrative Code Chapter 31, as amended, Board of Supervisors Ordinance Number 161-13), then the CEQA decision prepared in support of that Approval Action is thereafter subject to appeal within the time frame specified in S.F. Administrative Code Section 31.16. Typically, an appeal must be filed within 30 calendar days of the Approval Action. For information on filing an appeal under Chapter 31, contact the Clerk of the Board of Supervisors at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, or call (415) 554-5184. If the Department's Environmental Review Officer has deemed a project to be exempt from further environmental review, an exemption determination has been prepared and can be obtained on-line at <http://sf-planning.org/index.aspx?page=3447> . Under CEQA, in a later court challenge, a litigant may be limited to raising only those issues previously raised at a hearing on the project or in written correspondence delivered to the Board of Supervisors, Planning Commission, Planning Department or other City board, commission or department at, or prior to, such hearing, or as part of the appeal hearing process on the CEQA decision.



MEMORANDUM

May 23, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *Monique Moyer*
Executive Director

SUBJECT: Request approval of Memorandum of Understanding (MOU) M-15747 between the Port of San Francisco and the San Francisco Municipal Transportation Agency (SFMTA) for use of a portion of Seawall Lot 354 (also known as 1399 Marin Street) for general office, general warehouse, storage, related parking of SFMTA staff vehicles, maintenance and repair of SFMTA buses including fueling and washing of same, and for incidental directly related uses and for no other purpose for a term of seven years and a waiver of the security deposit

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

This item was presented to the Port Commission at its May 13, 2014 public meeting. At the request of Commissioner Kimberly Brandon, it was held over so that Port staff could explain in more detail the types of beautification improvements that will be undertaken by the San Francisco Municipal Transportation Agency ("SFMTA"). Such detail is provided below under the heading, "New MOU" and is denoted with dashed-underlining. The Resolution for adoption also contains a corresponding change which is denoted by dashed-underlining. The remainder of the staff report is identical to the May 9, 2014 staff report presented previously to the Port Commission.

I. Executive Summary

On March 26, 2001 the Port entered into MOU M-13046 with the San Francisco Municipal Transportation Agency ("SFMTA") to allow for the use of a portion of Seawall Lot 354 (aka 1399 Marin Street) as a storage shop, parking and office facility. This facility is located in the southern waterfront off of Cesar Chavez, west of Third Street (see attached map). This MOU expired on May 31, 2006 and has been operating on

THIS PRINT COVERS CALENDAR ITEM NO. 10A

holdover status since the expiration. There have been ongoing conversations and negotiations in the intervening period between Port staff and SFMTA staff regarding the future of the site. The reason for the protracted negotiations is that SFMTA wished to purchase the property from the Port and expand its uses on the site. The Port was not able to enter into a sale of the property due to public trust restrictions and the Port's desire not to expand uses on the site.

It is now the desire of both SFMTA and the Port to renew this MOU for its current use for a period of seven (7) years. Port staff also requests a waiver of the \$146,308.98 security deposit given that the tenant is another City department. SFMTA will continue the current use of the Premises for general office, general warehouse, storage, related parking of SFMTA staff vehicles, maintenance and repair of SFMTA buses including fueling and washing of same, and for incidental directly-related uses and for no other purpose.

II. Background

Since December 1998, SFMTA has been using Seawall Lot 354 under an MOU with the Port. The site was originally used to house a temporary operating division during reconstruction work at a nearby SFMTA facility. Most recently it has been used for storage, maintenance shop, parking and office. This is a 3.2 acre site that contains one warehouse, including an office area, fenced secured storage area and five portable trailers used for office space. The building consists of 25,145 square feet of open shed space which contains the maintenance shop area and 1,139 square feet of office space. The facility is operated on two eight-hour shifts during each business day. During non-business hours the facility is locked to prevent unauthorized access to the site.

This site is bordered by Marin Street to the north, Tennessee Street to the east, Tulare Street to the south and Indiana Street to the west. Across Marin and Tennessee Streets are commercial properties. Across Tulare Street is Islais Creek. Across Indiana Street is SFMTA's Islais Creek Motor Coach facility.

In executing this new MOU the rent will be reset to current Port Commission approved parameter rents and include updated environmental requirements to include an Operations Plan and financial assurances related to environmental compliance and spill response. The prior MOU did not contain provisions for annual increases but that language is included in this new MOU. Additionally, the Port has required SFMTA to submit an Operations Plan that provides the Port with stronger environmental risk mitigations, including the addition of an environmental security deposit.

III. New MOU

As a condition of this MOU, SFMTA is required to provide the Port an Operations Plan detailing the operations, including the storage and use of fuels and other hazardous materials on the premises, as well as environmental regulatory permits and best management practices to mitigate risk. Port staff has reviewed this plan and accepted it in satisfaction of the Operations Plan requirement.

In accordance with the terms of the existing MOU, SFMTA is a tenant in good standing. The new MOU additionally will require SFMTA to adhere to the Operations Plan as a tenant in good standing.

The permitted uses in the MOU are a continuation of the existing uses and are therefore covered under the General Rule Exclusion issued by City Planning on February 2, 2012 pursuant to the California Environmental Quality Act.

On April 30, 2014, Port staff presented the SFMTA MOU to the Southern Waterfront Advisory Committee for the continued use of 1399 Marin Street. The SWAC supported the use of 1399 Marin Street by SFMTA for the existing uses.

SFMTA is also subject to the Port's "Policy for Southern Waterfront Community Benefits and Beautification" which identifies beautification and related projects in the southern waterfront (from Mariposa Street in the north to India Basin) that require funding.

SFMTA has been a tenant in good standing and a great Port partner. SFMTA has assisted the Port in improving the area surrounding their premises at 1399 Marin, some of which is Port property. The SFMTA will continue to make beautification enhancements as described below and through improved operations specified in the Operations Plan.

Previous improvements made by SFMTA in the area of the Islais Creek Promenade include the installation of a pedestrian foot bridge (\$170,000) from Cesar Chavez and Interstate 280 to provide a linear connection to the shoreline park. Additionally, SFMTA assisted in the emergency removal of the Copra Crane, to help facilitate its rehabilitation as a Labor Landmark which is a joint project involving the Port, the Copra Crane committee and labor.

Additional SFMTA improvements in the Islais Creek area, related to previous projects include \$350,000 in landscaping, and creation of the Islais Creek Open Space Park which includes public art (\$543,000).

In return for the benefit of an extension of use for the 1399 Marin premises, SFMTA will:

1. Landscape and plant the eastern perimeter of the site with Popular trees spaced approximately 20' on center to match those along the Islas Creek Promenade, minimum size 15 gallons, staked to City standard; and
2. Create a low maintenance, drought tolerant, rock landscaped area on south east corner of building; and
3. Weed abate entire site utilizing City Grazing, supporting a local neighborhood business.

Additionally, SFMTA will look into the following as an option:

4. Capture roof storm run-off for use on site irrigation to help establish landscaping.

IV. Proposed Terms

Term: Eighty four (84) months

Premises:

Parcel A:	111,949 square feet	yard area
Parcel B:	25,145 square feet	warehouse/shop area
Parcel C:	<u>1,319 square feet</u>	office area
Total:	138,413 square feet	

Fees: Rental fees are set in accordance with the Port Commission approved parameter rents with annual increases of 3% as set forth in the MOU.

Use: SFMTA shall use the Premises for general office, general storage, related parking of SFMTA staff vehicles, maintenance and repair of SFMTA buses including fueling and washing of same, and for incidental directly related uses and for no other purpose.

Security

Deposit: Equal to two months' rent in the last year of the lease which equals \$146,308.97. Port staff requests a waiver, given that this tenant is another City department and the Controller's Office requests that City Departments not hold large dollar amounts for another City department.

Environmental

Deposit: \$10,000.00*

Environmental

Risk Deposit: \$50,000.00* refundable when environmental risk mitigating measures are completed (building of a containment berm around the above ground storage fuel tanks) pursuant to the Operations Plan

* because these funds need to be readily available to respond to an environmental emergency and are of a lesser dollar amount, Port will retain this deposit.

Maintenance: Solely the responsibility of the SFMTA

Utilities: Solely the responsibility of the SFMTA

<i>Monthly Base Rent:</i>	Months	Sq. Ft.	Monthly Base Rate (per sq. ft.)	Total Monthly Base Rent
Parcel A:	1-12	111,949	\$0.35	\$39,182.15
Parcel B		25,145	\$0.85	\$21,373.25
Parcel C		1,319	\$1.35	<u>\$1,780.65</u>
				Total \$62,336.05
Parcel A	13-24	111,949	\$0.36	\$40,301.64
Parcel B		25,145	\$0.87	\$21,876.15
Parcel C		1,319	\$1.39	<u>\$1,833.41</u>
				Total \$64,011.20
Parcel A	25-36	111,949	\$0.37	\$41,421.13
Parcel B		25,145	\$0.90	\$22,630.50
Parcel C		1,319	\$1.43	<u>\$1,886.17</u>
				Total \$65,937.80
Parcel A	37-48	111,949	\$0.38	\$42,540.62
Parcel B		25,145	\$0.92	\$23,133.40
Parcel C		1,319	\$1.47	<u>\$1,938.93</u>
				Total \$67,612.95
Parcel A	49-60	111,949	\$0.39	\$43,660.11
Parcel B		25,145	\$0.95	\$23,887.75
Parcel C		1,319	\$1.51	<u>\$1,991.69</u>
				Total \$69,539.55
Parcel A	61-72	111,949	\$0.40	\$44,779.60
Parcel B		25,145	\$0.98	\$24,642.10
Parcel C		1,319	\$1.55	<u>\$2,044.45</u>
				Total \$71,466.15
Parcel A	73-84	111,949	\$0.41	\$45,899.09
Parcel B		25,145	\$1.00	\$25,145.00
Parcel C		1,319	\$1.60	<u>\$2,110.40</u>
				Total \$73,154.49
Security Deposit			\$146,308.98	Requesting waiver

V. Recommendation

Port Staff recommends that the Port Commission approve the Memorandum of Understanding No. M-15747 between the Port of San Francisco and the San Francisco Municipal Transportation Agency for the rental of Seawall Lot 354 (aka 1399 Marin Street) for general office, general warehouse, storage, related parking of SFMTA staff vehicles, maintenance and repair of SFMTA buses including fueling and washing of same. This item is brought before you as the seven (7) year term exceeds the Port Commission delegation authority of a five (5) year interim term. Staff also recommends the waiver of the \$146,308.98 Security Deposit. This MOU is also subject to SFTMA Board of Directors approval.

Prepared by: Susan Reynolds
Deputy Director, Real Estate

Attached: 1) Location Map
2) Site plan

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-36

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and
- WHEREAS, under Charter Section B3.581, leases granted or made by the Port Commission shall be administered exclusively by the operating forces of the Port Commission; and
- WHEREAS, since December 1998, SFMTA has been using Seawall Lot 354 under an MOU with the Port; and
- WHEREAS, San Francisco Municipal Transportation Agency (SFMTA) wishes to enter in to a new Memorandum of Understanding (MOU) with the Port for the rental of Seawall Lot 354 (aka 1399 Marin Street) for general office, general warehouse, storage, related parking of SFMTA staff vehicles, maintenance and repair of SFMTA buses including fueling and washing of same, and for incidental directly related uses and for no other purpose for an additional seven (7) years at market rates; and
- WHEREAS, the Port is willing to enter in to a new MOU on the terms and conditions memorialized in MOU No. M-15747 on file with the Port Commission Secretary and summarized in the Memorandum dated May 9, 2014; and
- WHEREAS, the Port wishes to waive the \$146,308.98 security deposit given that the tenant is another City department; and
- WHEREAS, the Port has received and approved an Operations Plan for activities on the site; and
- WHEREAS, SFMTA is a tenant in good standing; and
- WHEREAS, the SFMTA MOU is subject to the Port's Policy for Southern Waterfront Community Benefits and Beautification and the SFMTA has agreed to make additional enhancements at the premises; and

- WHEREAS, the permitted uses in the MOU are a continuation of the existing uses and are therefore covered under the General Rule Exclusion issued by City Planning on February 2, 2012 pursuant to the California Environmental Quality Act; now therefore be it;
- RESOLVED, that the Port Commission hereby approves MOU No. M-15747 with the SFMTA and the waiver of the security deposit; and be it further
- RESOLVED that the Port Commission directs the Executive Director to work with the SFMTA staff to obtain approval of the MOU from the SFMTA Board of Directors; and be it further
- RESOLVED that following approval by the SFMTA Board of Directors, the Port Commission authorizes the Executive Director of the Port, or her designee, to execute the MOU in substantially the form on file with the Port Commission Secretary; and be it further
- RESOLVED that the Port Commission authorizes the Executive Director to enter into any additions, amendments or other modifications to the MOU that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port or materially decrease the public benefits accruing to the Port, and are necessary and advisable to complete the transaction and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of any such documents.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of May 27, 2014.

Secretary



1399 Marin Street

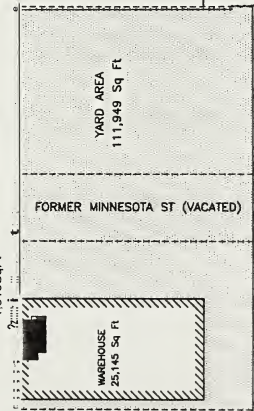
Attachment 1 - Location Map

SAN FRANCISCO MUNICIPAL RAILWAY

YARD AREA = 111,949 Sq Ft
WAREHOUSE = 25,145 Sq Ft
OFFICE AREA = 1,319 Sq Ft

13x11 MARIN ST (1<AA: SI Vt, '35"4-Wt::--r)

OFFICE AREA



BRADY AVE

TULARE ST

ISLAIS CREEK CHANNEL

M-15747

SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

SAN FRANCISCO
MUNICIPAL RAILWAY

DRAWN BY: ECC	DATE: NOV 4, 2013
CHECKED BY: J. BAKER	SCALE: 1" = 120'
PLACE CODE NO.	SHEET NO.
3540-LAND1	OF 35413

NOT PROPERTY OF SAN FRANCISCO PORT COMMISSION



MEMORANDUM

May 23, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon, Vice President
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *M. Moyer*
Executive Director

SUBJECT: Request approval of a fee waiver for a revocable license that allows the Flaming Lotus Girls to temporarily install public art near Mission Street on the east side of The Embarcadero, on a plaza between the Agriculture Building and Pier 14 for a term of 13 months with an 11 month optional extension

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution.

Executive Summary

On January 14, 2014, the Port Commission reviewed a proposal for a temporary public art installation by the Flaming Lotus Girls ("FLG") at the Pier 14 Plaza area for a 13 month period. The sculpture known as *SOMA*, is about 40 feet long by 18 feet tall and depicts brain cell activity through steel and light.

The Pier 14 Plaza is located on the Embarcadero Promenade between the Agriculture Building and Pier 14 in the central waterfront as shown on the attached map. This location has had three previous temporary art installations for public viewing. The Port Commission has agreed to waive license fees for these prior public art installations at the Pier 14 Plaza, and the Port has also provided funding when it was available for these installations. The Port has supported these installations in this manner because the Pier 14 Plaza has proven to be a suitable site for public art.

Port staff proposes to enter into a revocable license, on the Port's standard license form, allowing the FLG artist collaborative to install the *SOMA* installation at the Pier 14 Plaza. Port staff seeks the Port Commission's approval to waive the license fees.

This Print Covers Calendar Item No. 10B

Project Sponsor

FLG is a volunteer-based group of artists who make large-scale kinetic fire art. They began in 2000, as a group of six women and two men and have grown to over 100 members. FLG hosts an open and supportive cultural environment that promotes creativity, education, volunteer contribution and leadership opportunities. People can join the FLG with no previous experience in metal working or fire arts.

Project Details

FLG will install the *SOMA* sculpture at the Pier 14 plaza area, which is east of The Embarcadero Promenade, adjacent to Mission Street and between Pier 14 and the Agricultural Building. In this location, *SOMA* can be viewed by pedestrians while not impeding Promenade circulation. The plaza space for this installation is large enough to view this piece; visitors can gather off the Promenade or sit on raised sections of the Art Ribbon adjacent to the plaza.

The *SOMA* sculpture represents two cell bodies of a neuron often referred to as "brain or nerve cells." These cells connect to other cells to make up the human nervous system and send messages to the brain and spinal cord. The *SOMA* sculpture includes an axon bridge to connect the two cells. These cells are electrical and excitable. To replicate this cell activity, the ends of this sculpture will be lit with interactive LED lighting. There will be up to 60 LED lighting units on *SOMA* that are capable of producing 16 million colors. These lights would be programmed to respond to time of day, lighting conditions, visitor interaction, and are programmable for special events such as The Bay Lights display on the Bay Bridge. This LED lighting system will also have the capacity to turn on automatically each night, and to be controlled remotely to be dimmed or turned off upon request.

This installation will have interpretive panels that will explain *SOMA* and the neuroscience it represents. These interpretive panels will also provide options to interact with *SOMA*.

Project Requirements

For this installation, FLG has agreed to the Port standard license terms and conditions, which require a no-interest security deposit, provision of adequate insurance coverage, compliance with laws and an indemnification of the Port for any damage or liability associated with the permitted uses. FLG has submitted a complete Port encroachment permit for this installation, which requires proof of liability insurance, compliance with the Port's maintenance and removal requirements for improvements along the waterfront, and compliance with the American's with Disability Act requirements. The Port previously secured approval from the Bay Conservation and Development Commission for public art installations at the Pier 14 Plaza on a rotating basis for a period not to exceed two years per art piece.

CEQA Determination

The San Francisco Planning Department's Environmental Division has issued to the Port a Certificate of Exemption from Environmental Review for all Port leasing activity that continues the existing land use with no substantial physical changes to the site or substantial intensification, which expires February 2, 2015. This exemption is provided through the State CEQA Guidelines Section 15601 (b) (3) General Rule Exclusion, which exempts activities that can be seen with certainty to have no possibility for causing a significant effect on the environment.

The Pier 14 Plaza area has been used for public art on three prior occasions. The FLG Pier 14 Plaza license will continue this same use and will not involve an intensification of activity in the area. The issuance of the encroachment permit for this installation is exempt from further California Environmental Quality Act evaluation under Class 4: Minor Alterations in Land Use Limitations.

Proposed Schedule

FLG proposes to install and display *SOMA* in mid-Summer for a period of 12 months pursuant to the following schedule:

1. FLG secures an approved Port encroachment permit May 2014.
2. FLG installs the *SOMA* sculpture and interpretive display July 2014.
3. FLG and the Port hold a *SOMA* opening ceremony in July 2014.
4. FLG performs maintenance on *SOMA* as needed between July 2014 and July 2015.
5. FLG removes *SOMA* and restores the Pier 14 Plaza site in July 2015.

Project Budget

The FLG have identified a budget of \$50,000 for all the costs related to the installation, maintenance and removal of *SOMA*. Between January and April of this year, the FLG raised funds sufficient to cover the cost of the *SOMA* installation, removal, and annual maintenance.

The *SOMA* project offers several benefits to the Port and the public. First, Pier 14 Plaza is ideally suited for public art and there are no other uses for the Plaza planned that would generate activity or revenue to the Port. Second, this installation will provide a benefit to the trust by enlivening the waterfront. Third, the project's supporters include public entities and individuals who will visit, enliven and promote the space and the Port.

Given these benefits, Port staff seeks to be a partner in sponsoring this display. This sponsorship includes (i) conveying the site at no cost, (ii) waiving permit fees to the extent permissible, and (iii) paying the electrical costs for lighting. The Port's annual use fee for the Plaza is \$1,192 per month or \$14,304 per annum and the cost of utilities is estimated at approximately \$200 per month or \$2,400 per annum. As a practical matter, the Port Commission has donated fee waivers and paid electrical costs for other major

art installations at the site including the Raygun Gothic Rocketship created by Sean Orlando, Nathaniel Taylor, and San Francisco's David Shulman.

Request

Port staff seeks Port Commission authorization for the Port Executive Director to enter into a no-fee license agreement with the FLG to support the SOMA installation on the Pier 14 Plaza for a 13 month period. Port staff also seeks Port Commission approval on the attached resolution to allow additional support for the SOMA installation through Port contribution and waivers as described above, and for an optional 11 month lease extension.

Prepared by: Kanya Dorland, Planner

For: Byron Rhett, Director of Planning and
Development

Attachment
Pier 14 Plaza Map

art installations at the site including the Raygun Gothic Rocketship created by Sean Orlando, Nathaniel Taylor, and San Francisco's David Shulman.

Request

Port staff seeks Port Commission authorization for the Port Executive Director to enter into a no-fee license agreement with the FLG to support the SOMA installation on the Pier 14 Plaza for a 13 month period. Port staff also seeks Port Commission approval on the attached resolution to allow additional support for the SOMA installation through Port contribution and waivers as described above, and for an optional 11 month lease extension.

Prepared by: Kanya Dorland, Planner

For: Byron Rhett, Director of Planning and
Development

Attachment
Pier 14 Plaza Map

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-37

- WHEREAS, The Flaming Lotus Girls are proposing to temporarily locate a sculpture known as *SOMA* on Port property in the plaza area between the Agriculture Building and Pier 14 along The Embarcadero Promenade referred to as the Pier 14 Plaza; and
- WHEREAS, The Port has previously secured approval from the San Francisco Bay Conservation and Development Commission for the installation of public art at the Pier 14 Plaza on a rotating basis, for a period not to exceed two years per art piece; and
- WHEREAS, The Flaming Lotus Girls is a volunteer based group of artists that hosts an open environment that promotes creativity, education, volunteer contribution and leadership opportunities to support and promote community-based interactive art that generates social participation; and
- WHEREAS, Pier 14 Plaza provides a suitable site with the appropriate prominence for public art; and the Port has no other use for the Pier 14 Plaza space during the term of the license that would generate revenue to the Port; and
- WHEREAS, The Port has negotiated a revocable license agreement with the FLG on the Port's standard license form allowing the placement, operation, maintenance and removal of the *SOMA* sculpture at the Pier 14 Plaza for a 13 month term with an 11 month extension option at the discretion of the Port Executive Director; and
- WHEREAS, FLG has sought and Port agrees that the license and permit fees should be waived as Port is a partner in sponsoring the display of the sculpture; aside from a monthly payment for electricity costs, the Port will not expend any trust resources or revenue to support the installation; and the installation provides a benefit to the Public Trust by enlivening the waterfront and attracting people to the waterfront and raising awareness of the waterfront and its public benefits and amenities; and
- WHEREAS, The permitted uses in the Lease are a continuation of existing and related uses and are therefore covered under a General Rule Exclusion pursuant to the California Environmental Quality Act; now therefore be it

RESOLVED, The Port Commission authorizes the Executive Director of the Port or her designee, to enter into a license with the Flaming Lotus Girls on the terms described in the Memorandum dated May 16, 2014 for a term of 13 months; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director or her designee to execute the license and any additions, amendments or other modifications thereto, including granting an extension of up to eleven (11) months in the Executive Director's sole discretion, that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the City or Port or materially decrease the benefits to the City or Port, and are necessary or advisable to complete the transactions which the license contemplates and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director or her designee of the license, and any such amendments thereto.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of May 27, 2014.

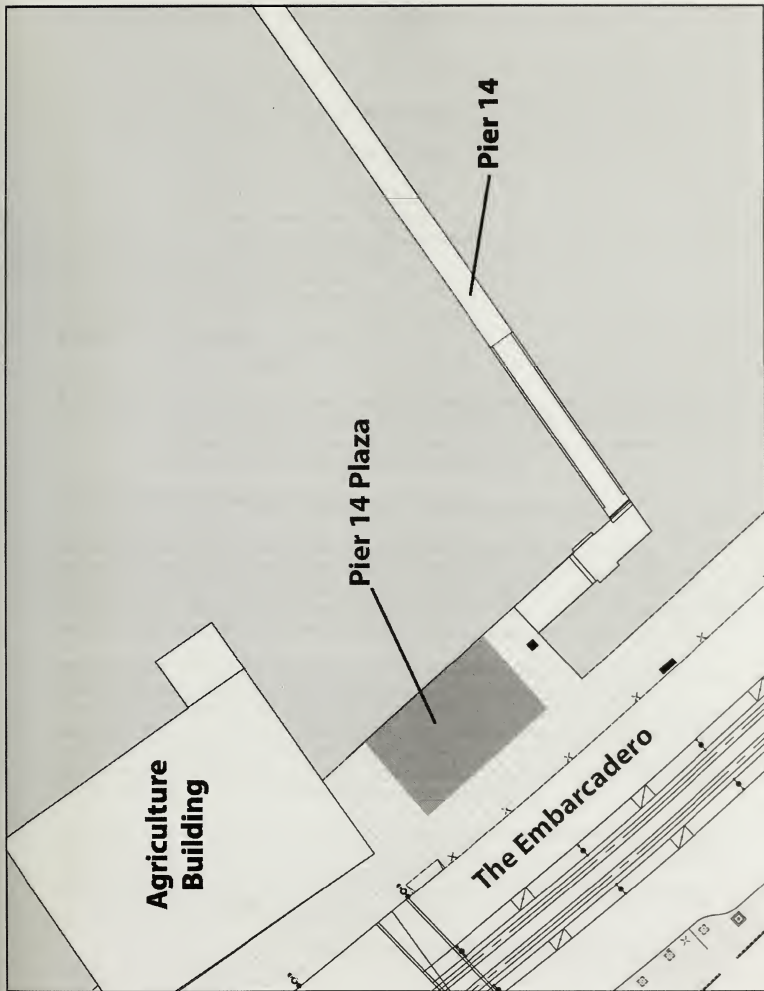
Secretary

**Agriculture
Building**

Pier 14 Plaza

Pier 14

The Embarcadero

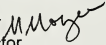




MEMORANDUM

May 23, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer 
Executive Director

SUBJECT: Approval of the Cruise Terminal Management Agreement and License with Pacific Cruise Ship Terminals, LLC for the James R. Herman Cruise Terminal at Pier 27, Pier 35 and Piers 30-32 at the Embarcadero and Lombard, Bay and Bryant Streets, respectively

DIRECTOR'S RECOMMENDATION: Approve attached resolutions

At its meeting on May 13, 2014, the Port Commission heard an informational presentation regarding the proposed Cruise Terminal Management Agreement and License with Pacific Cruise Ship Terminals, LLC for the James R. Herman Cruise Terminal at Pier 27 and cruise operations at Pier 35 and Piers 30-32 (Agreement). Port staff now requests Port Commission approval of the proposed Agreement.

This staff report further describes the proposed Agreement terms between the Port and Metro. This report provides greater detail than what was presented to the Port Commission on May 13, 2014. Material updates to the May 13, 2014 memorandum are presented herein as underlined text. In particular, updates have been provided related to terms for (1) hosting, booking, and operating events, (2) analyzing various parking volume rates and financing impacts, (3) net income/loss analysis, (4) recommendation for approval and (5) the accompanying Resolution for approval.

In consideration of the proposed Agreement and this details presented herein, Port staff specifically notes that revenue projections to the Port are in flux due to the continuing negotiations with BCDC on whether occasional visitor parking to its ground transportation area (GTA) at Pier 27 will be permitted on non-cruise, non-event days. Updates to revenue projections are also underlined.

THIS PRINT COVERS CALENDAR ITEM NO. 11A

BACKGROUND

The Port Commission approved issuance of a Request for Proposals in September 2012 for a management entity to manage cruise terminal operations, events and parking. On June 11, 2013, the Port Commission authorized staff to commence negotiations with Pacific Cruise Ship Terminals, LLC (which includes both Metro Cruise Services and Metro Shore Services or collectively known as Metro) for the James R. Herman Cruise Terminal at Pier 27 (Pier 27) and the cruise terminal at Pier 35. Port staff has been negotiating a management agreement and license (Agreement) with Metro for the past several months. On May 13, 2014, Port staff presented an informational item that primarily outlined the financial components of the proposed Agreement.¹ This informational presentation allowed the Port Commission to provide input to the final negotiations between Metro and Port staff.

On a parallel path, the Port, through Turner Construction, has been managing the second phase of Pier 27 construction. Pier 27 construction is currently scheduled for substantial completion on August 1, 2014. The Port is scheduled to host the Princess Cruise Lines' Crown Princess as the first cruise ship to berth at Pier 27 in late September 2014. The Port has also reserved its first event with the San Francisco Maritime Museum on October 4, 2014. Pier 35 will remain as a two-berth, back-up cruise terminal and also serve as an event venue and accessory parking when not in cruise use. As necessary, Piers 30-32 will also serve as an additional cruise berth.

This staff report further describes the proposed Agreement terms between the Port and Metro. As discussed below, Pier 27 operating costs will be higher than Pier 35, due to higher quality passenger amenities, facility design features and equipment, and public access areas. This, in addition to Port debt service obligations for Pier 27, dictates the need to generate revenue through multiple sources which are provided in the Agreement. In addition, the Port will generate new revenue by increasing passenger fees.

The priority uses for Pier 27 are cruise ships and events. The number of each of these will vary year to year as well as the associated revenues. The proposed Agreement includes financial incentives to maximize cruise ship calls. Pier 27 is also expected to be a popular event venue. During days when neither cruise calls nor events are scheduled, the Agreement provides for waterfront visitor parking with the Ground Transportation Area (GTA). This would require the Port to seek an amendment to the Port's Bay Conservation and Development Commission (BCDC) permit for Pier 27 which has not yet been secured. This staff report includes a revenue analysis of different ranges of cruise and event use, and visitor parking to show how each use supports the operational needs of Pier 27.

In December 2011, an environmental impact report (EIR) was prepared and published for the Pier 27 Cruise Terminal Project, as required by the California Environmental

¹ <http://www.sfport.com/modules/showdocument.aspx?documentid=8079>

Quality Act (CEQA). As part of the prior project approval, the Port Commission reviewed and considered the EIR and adopted CEQA findings as part of its project approval. There are no changes to the Pier 27 project proposed with this approval and no substantial changes in project circumstances that would require major revisions to the EIR due to the involvement of new significant environmental effects or an increase in the severity of previously identified significant impacts, and there is no new information of substantial importance that would change the conclusions set forth in the EIR.

PASSENGER FEE INCREASE

Although not part of the proposed Agreement, the Port will raise its passenger fee from \$12 to \$18 per person commencing January 1, 2015. The passenger fee is passed through the cruise lines and paid directly by the cruise passengers. This fee increase is necessary to help fund improvements at Pier 27.

The current passenger fee of \$12 was established on January 1, 2009. The Port bundled cruise ship charges into a single per-passenger fee for cruise ships carrying over 500 passengers. The make-up of the \$12 fee included: 1) \$9 passenger fee, 2) \$2.75 dockage fee and, 3) \$0.25 stores wharfage fee. At the time, the Port also eliminated the 2006 Volume Incentive Program which had offered discounted dockage and wharfage fees to cruise lines that increased their calls to San Francisco.

The passenger fee of \$18 will retain the bundled charges for cruise ships over 500 passengers, but increase the overall fee to account for inflation and to help recover the Port's investment in constructing a brand new state-of-the-art cruise facility at Pier 27.

The passenger fee remains the single largest cruise revenue source for the Port. Any passenger fee above \$18 at this point may serve as a disincentive for cruise lines to berth ships in San Francisco.

PROPOSED AGREEMENT

Locations:

Metro will manage:

- a) Pier 27 that generally includes the cruise terminal, the ground transportation area and the eastern provisioning area, but excludes the Cruise Terminal Plaza and the Beltline building area which is the responsibility of the Port (see Exhibit A)
- b) Pier 35 that includes portions of the passenger terminal (see Exhibit B)
- c) Piers 30-32 as an overflow berth for cruise operations

Pier 27 will be used as the primary berth with the two-berth Pier 35 as back-up on multiple cruise call days. However, there may be occasions that an additional berth is needed or preferred for cruise berthing. In this case, Metro will be able to manage cruise operations at Piers 30-32 and other berths, as appropriate, during the term of the Agreement.

Passenger Cruise Operations:

Metro's responsibilities include:

- a) Manage all cruise operations, including terminal security and safe berthing of cruise vessels and embarkation and disembarkation of passengers;
- b) Coordinate with federal agencies to maximize efficient movement of passengers baggage handling and loading of stores;
- c) Provide equipment and gear necessary for cruise operations;
- d) Maximize a safe and efficient flow of vehicular and pedestrian traffic; and
- e) Employ a well-trained, certified and stable workforce with demonstrated experience in cruise operations.

In addition, Metro will coordinate and cooperate with the U.S. Coast Guard and all city, state and federal agencies with regulatory jurisdiction over passenger cruise operations to provide safe transit operations, working conditions and emergency services for the protection of all passengers, dockworkers, Port employees and visitors to the premises of the designated cruise facilities and berths.

Events Management:

Metro, in partnership with Hartmann Studios, will be responsible to:

- a) Develop, maintain and periodically update a comprehensive schedule of non-cruise events and event rate structure in the Pier 27 terminal building and GTA as well as Pier 35, including event parking;
- b) Schedule the proposed events so that they will not conflict with cruise terminal operations, but maximize the revenue potential and utility of the Cruise Terminal;
- c) Develop an implementation plan to promote and coordinate events which attract visitors as well as local and regional audiences to the waterfront. Events may include meetings, conferences and other events within the terminal, and cultural and entertainment events in the terminal and the ground transportation area; and
- d) Ensure that an event organizer complete all necessary logistics to plan and stage an event.

Parking Management:

Metro, through Impark, will be responsible to use best management practices and standards for operating the Pier 27 GTA for event parking. The proposed Agreement also provides for use of the GTA for waterfront visitor parking. This use would require an amendment to the BCDC permit for Pier 27 which has not yet been secured. Such parking would serve the growing number of visitors coming to the waterfront and generate revenues to offset operating costs. In addition, Metro is allowed to manage existing ancillary parking use at Pier 35, including potential parking and valet service for passengers embarking from Pier 27.

Management Term: The Agreement will be for 10 years from its commencement date of the first day of the calendar month immediately following approval of this agreement by the Port Commission. There will be one 5 year option.

Financial Terms: Metro shall pay to the Port:

1. A base facility payment of \$180,000/year for the Cruise Terminals, increasing by 3% annually.
2. If there are over 87 cruise calls in any one year during the term, the base facility payment is reduced by \$60,000 per year; if there are over 92 cruise calls in any one year, then the base facility payment is reduced an additional \$60,000 per year; if there are over 97 calls in any one year, then the base facility payment is reduced another \$60,000 per year, resulting in a base facility payment of \$0. This payment scheme is intended to incentivize Metro to berth as many cruise ships as feasible.
3. 60% of Gross Revenue (after deducting the 25% City Tax on parking) for Pier 27 and Pier 35 parking operations. This is less than the Port's standard 66% of gross revenues (less city parking tax) it receives from parking operations. Port staff recommend a lower percentage because the Pier 27 GTA parking will be operated as a part-time parking lot which will have higher operation costs (i.e., GTA parking will be available only when there are no cruise bookings and other events scheduled). This percentage may have to be re-negotiated based on the outcome of negotiations with BCDC if Pier 27 GTA parking capacity or availability is reduced or eliminated. Such reduction or elimination would dramatically reduce the income to the Port and the Port's ability to afford the project.
4. 50% of Gross Revenue from Metro-generated event use and all other uses (other than parking and cruise operations) at Piers 27 and 35.

Key Performance Indicators: Metro will be held to certain performance indicators that require no less than annual submission of: 1) cruise passenger surveys that demonstrate a certain level of customer satisfaction in the quality of Metro's operations and 2) operational cost analyses to remain competitive with West Coast cruise ports.

Maintenance Responsibilities: In general, Metro will be responsible to maintain the Cruise Terminals in a neat, clean, safe and orderly condition. Metro will have to retain sufficient personnel, equipment and contracted services to provide a level of customer service equal to or exceeding those of other U.S. West Coast cruise terminals. The allocation of maintenance responsibilities between the Port and Metro are delineated below.

Metro will be responsible for routine maintenance and repair of items connected to the operation, maintenance and management of the Cruise Terminals.

- At Pier 27 and Pier 35, Metro will be responsible for undertaking all necessary cleaning of the terminal buildings, including all furniture, fixture and equipment located therein and shall ensure that the Terminals are maintained in a clean and sanitary condition and in proper working condition at all times. All bathrooms and public spaces must be regularly cleaned and checked at such intervals as may be necessary to ensure the continued cleanliness of such spaces at all times.

- At Pier 27, Metro will be responsible for maintaining the Pier 27 roof and the physical condition of the entire deck of the Pier 27 site, including not only the terminal area, the ground transportation area, pier apron and the provisioning area, but also the BCDC-designated public access areas along the Pier 27 apron, Pier 27 tip and walkway along the south side of the Pier 29 shed. (The Port will be responsible for Cruise Terminal Plaza, the Beltline Building area and the Pier 29 north apron.)
- At Pier 27, Metro will be responsible for all routine maintenance and repair of the cruise terminal building including but not limited to the following equipment categories within the terminal building, as well as warranties management, as applicable, for doors, conveyance systems, plumbing systems, roof, mechanical systems, fire protection/detection systems, electrical systems, lighting, security systems (including closed circuit TV), telephone and data systems, luggage scanning equipment, floor coverings, interior surfaces and ceilings, windows/glazing, signage boards, parking striping and equipment, interior office spaces and U.S. Customs and Border Protection areas.
- At Pier 35, Metro will be responsible for all routine maintenance and repair of the cruise terminal building premises including but not limited to the following equipment categories within the terminal building, as well as warranties management, as applicable, for interior surfaces and ceiling, interior wall surfaces and ceiling, windows, interior and exterior lighting, floor coverings, deck surface, roll-up doors, restrooms, fencing, gates, electrical systems, telephone and data systems, fire protection/detection systems, above deck plumbing systems, vessel schedule boards, closed-circuit television and access control systems, modular barriers, and interior wall spaces.
- At Pier 27, Port will be responsible for routine maintenance (including periodic clean-up, power sweeping) of the GTA, eastern provisioning and Piers 27-29 public access deck area. The Port will maintain the shoreside power installation, the mobile gangway system and any lawns, trees and plants within the GTA and the Cruise Terminal Plaza.

Security: Metro will be responsible for providing security (including exterior lighting and security fencing) on a daily basis for Pier 27 premises and Pier 35. Metro will also provide security at other piers when these are required to serve as overflow cruise berths, such as Piers 30-32. For cruise days, Metro is required to develop and implement a U.S. Coast Guard-authorized Cruise Terminal Facility Security Plan (FSP) in compliance with the Marine Transportation Security Act of 2012.

Public Access: In compliance with the BCDC major permit, there will be on-going public access at the Cruise Terminal Plaza and designated access areas; provided, such access may be limited or closed, per Federal security requirements, if there is a cruise ship at berth.

Exterior Security Gates: At Pier 27, there will be limited public access during a cruise call event. Security gates located along the pier apron and in the eastern provisioning area will be closed during a cruise call, as prescribed by the FSP. However, on days when there are no cruise calls, then these gates will remain open to allow for public access. At Pier 35, the security gates at the entrance of both pier aprons will remain closed to the public at all times.

Local Business Enterprises: The Port Commission encourages the participation of local business enterprises (LBEs) in Metro's operations. In consultation with the City's Contract Monitoring Division, Metro agrees to implement good faith outreach efforts to solicit LBE participation in its operations and provide annual reporting of its efforts to the Port. Metro has identified areas where LBE participation may be implemented: 1) cruise terminal operations: suppliers of goods and equipment, janitorial services, valet parking, printing and design services for interior signage, etc.; and 2) events: marketing design, website and social media services, suppliers of goods and equipment, janitorial, printing, etc.

Booking Procedures: The Agreement includes a procedure to allow cruise bookings as a first priority. Metro may not book or reserve any events more than 15 months in advance. If Metro receives a request to book an event more than 10 months but less than 15 months in advance (assuming there are no scheduled cruise calls), Metro will notify the Port's maritime staff of the proposed event (including proposed dates and estimated revenue). The Port will have two weeks to determine whether a potential cruise call will conflict with the proposed event request. The Port decision will be final and made in the Port's sole discretion. With respect to booking an event within 10 months, provided a cruise call is not already scheduled, Metro may book the event.

Event Venue Use Fee: Metro will charge and collect market rate fees for use of all or any portion of the Pier 27 or Pier 35 event venue. Metro will provide a monthly update in any changes to the use fee structure to assure that such fees reflect prevailing market values. Metro and Port will also meet periodically, as needed, to adjust the fee structure.

Port's Right to Use Event Venue: There will be maritime and civic events in which the Port has the ability to waive the event venue use fee. Such maritime events (e.g., Fleet Week) that promote maritime use or maritime security meetings and civic events (e.g., U.S. Mayors Conference) may include events that promote city-wide goals that expressly bring people to the waterfront, as determined by the Port. In both cases, fee waivers would consist only of the event venue fee, not the costs associated with janitorial services, security or parking. There will be an overall cap of 34 days per year for such maritime and civic events.

Hartmann Studios: Metro has chosen Hartmann Studios as a partner to help manage Piers 27 and 35 events because of its unique expertise, skill and experience. Hartmann Studios will promote the event space as a premier waterfront event venue. Hartmann Studios will have exclusive rights to provide lighting, electrical and sound systems for events. If Hartmann Studios terminates its agreement with Metro or Hartmann Studios no longer has an active and continual involvement in event operations, then this would

constitute a material default under the proposed Agreement permitting the Port to terminate Metro's right to manage event operations.

Event Noise and Light Restrictions: Metro will comply with and cause all event users to comply with the noise ordinance (i.e., ensure that no noise or additional light from events can be heard from the facilities) in compliance with San Francisco Municipal Code Section 49 or 2900 et al. seq. and San Francisco Police code section 2900. In addition, Metro will comply and cause all event users to comply with a Good Neighbor Policy.

Parking Operations Plan: Metro has selected Impark as a partner to manage all parking operations at Piers 27 and 35. Metro will perform parking operations in compliance with a Port-approved Parking Operations Plan. Such plan will include policies and procedures for: customer service, rates and potential rate increases, parking signs, minimum staffing levels for peak and non-peak periods, hours of operations, vehicle and pedestrian handling and safety, method of payment collection, equipment, reporting procedures, maintenance schedule, job descriptions, cleaning schedule, environmental compliance plan, storm water management plan, and other performance standards. Further, the Port retains the right to require Metro to set aside any portion of the parking area for the City's car share program or similar third party operation, and installation of electrical charging equipment.

Termination: The Port will have the ability to terminate the agreement or terminate Metro's right to use either or any of Pier 27 and Pier 35 and/or manage all or any of the cruise operations, event operations, and/or parking operations upon the occurrence of, among other things, any of the following: 1) failure to pay the Port, 2) failure to be in compliance with any approved operational plan, 3) key Metro management no longer has active involvement in cruise operations, or 4) if Hartmann Studios no longer has active involvement in event operations, etc.

Operator Entity Signing Agreement: The Port will enter into the Agreement with Pacific Cruise Ship Terminals, LLC (Pacific Cruise). Pacific Cruise is the parent company of both Metro Cruise Services and Metro Shore Services. Port staff believes that entering into the Agreement with Pacific Cruise is most beneficial because Pacific Cruise has greater financial assets than Metro Cruise or Metro Shore Services. Additionally, it makes sense operationally because Metro Cruise Services is the cruise operations arm and a member of the Pacific Maritime Association and Metro Shore Services is the event operations arm of Pacific Cruise.

ANALYSIS

As noted in the May 13 staff report, the Port will have two operating cruise terminals with a back-up berth at Piers 30-32. While Pier 27 will offer greater efficiencies from a customer perspective (i.e., a reduction in the time a passenger embarks to and disembarks from a cruise ship), it will also entail higher operating costs as a result of it being a modern facility (e.g., heating, ventilation and air conditioning system, shoreside power equipment, mobile gangway systems, a roof rainwater retention plumbing

system, etc.). Not only will these fixed operating costs increase, but variable (i.e., labor) costs will increase as well.

The Port has identified four revenue streams to offset increased operational costs:

- 1) An increased passenger fee which is charged directly to the cruise lines;
- 2) Terminal Fee Payment from Metro to manage the Cruise Terminals;
- 3) Event revenue from Metro for both Pier 27 and Pier 35; and
- 4) Parking revenue for visitor daily parking (on non-cruise, non-event days) from Metro for the Pier 27 Ground Transportation Area (this, however, requires a BCDC permit amendment to allow for such parking; as noted below, negotiations are underway, but not resolved) and for passenger parking at Pier 35.

The Port believes that the near-term outlook for San Francisco cruise calls is extremely promising, but historically there have been fluctuations in the number of cruise calls to San Francisco. With marketing persistence, the Port hopes to continue to attract as many cruise ships and events to the new Pier 27 terminal and Pier 35 as possible. This is needed not only to achieve the Port's project objectives, but also to generate revenue needed to cover debt service debt and operating costs.

Staff has conducted revenue forecasts based on a range of cruise and events shown in Exhibit C, and includes use of the GTA for waterfront visitor parking (that is not currently permitted in the BCDC permit and requires an amendment). The financial estimates presented in Exhibit C reflect the range of revenues depending on the scenarios with varying mix of cruise and event usage with visitor parking on non-cruise/event days.

Base Case:

As shown on Exhibit C, Port staff has developed a "base case" financial scenario, representing the break-even scenario where Port revenue generally equals Port costs. The base case assumes potential revenue generated from 82 cruise calls projected events and parking usage. 82 calls may seem aggressive, but there will have been 75 cruise calls in 2014 and a projected 84 calls in 2015. The parking revenue projection is based on the initial calculation of 330 parking spaces within the Ground Transportation Area (GTA). Two other scenarios are also shown in Exhibit C reflecting a range of possible outcomes if fewer or no parking was allowed in the GTA. Exhibit C also includes financial scenarios assuming higher levels of cruise calls and event days.

Passenger Fee:

The Port's passenger fee is the single largest revenue source for the cruise operations. If the Port Commission approves raising the passenger fee and assuming 82 cruise calls a year, the increased fee would generate \$5.3 million annually from cruise calls.

Base Terminal Payment:

Based on the base case of 82 calls per year, Metro would pay \$180,000, with 3% annual increases. If cruise calls are less than 87 per year, Metro would still pay this amount. The Port wishes to incentivize Metro to maximize the number of cruise calls. During the ten year term, if there are between 88 – 92 cruise calls in any one calendar

year, then Metro would pay the Port \$120,000 annually from cruise operations; if there are 93 – 97 cruise calls in any given calendar year, Metro would pay \$60,000 annually from cruise operations; and if there are more than 97 cruise calls, Metro would pay \$0 annually. These discounts will also increase annually at 3%.

Events:

There has been much interest to date in Pier 27 as an event venue along the waterfront. The new facility has proved initially to be particularly attractive to corporate and non-profit organizations. To date, the Port has reserved both Pier 27 and Pier 35 for at least five late 2014 events and a number of users are already contemplating reserving dates in 2015. This has been accomplished without a marketing plan in place because an Agreement has not been executed. When the Agreement is executed, this will allow Metro and its partner, Hartmann Studios, to begin implementing a marketing plan to generate event activity at Piers 27 and 35.

Under the base case, Metro projects total event revenue of \$2.4 million a year for facility rentals of which: \$1.2 million would be paid to the Port. In addition, event users will be obligated to separately pay for parking if needed for the event. This potentially generates an additional \$47,000 to the Port.

Parking:

As noted in the May 13, 2014 staff report, there had been 520 parking spaces at Pier 27 prior to its closure for construction of the new terminal. On March 22, 2012, BCDC issued Major Permit No. 2012.002.01, as amended, for the new cruise terminal construction and the America's Cup event. The permit provides for parking, loading and staging in the GTA only for cruise circulation use and events, but not for visitor parking.

The Port proposes to use the GTA for visitor, non-commuter parking to serve waterfront attractions when the GTA is not being used for cruise operations or events. As shown on Exhibits C & D, parking revenue is crucial to help offset debt service and operating expenses. In addition to revenues, there is an independent need to actively manage the GTA during non-cruise call and event days. Large empty spaces along the waterfront commonly attract unsolicited uses, some of which can negatively affect personal safety. Port staff believes there would be additional security costs incurred to manage against unauthorized parking, vagrancy or other unauthorized uses, and concluded the need to seek a BCDC permit amendment.

Port staff estimates that visitor parking represents approximately 185 days per year and substantially less if cruise calls and events were to increase. To illustrate the range of revenue potential the Port financial scenarios in Exhibit C incorporate a range of visitor parking capacity assumptions for the GTA (330 vs. 180 vs. 0 parking spaces). Discussions for a permit amendment are underway and have not yet been resolved between Port and BCDC staffs.

Exhibit C presents three scenarios, assuming that the Port receives 60% of the gross revenue after deducting the City tax of 25%. Under the base case, approximately \$440,000 would be paid to the Port based on the assumptions that the GTA would be a 330 space, part-time visitor parking resource. Under this scenario, total cruise, event

and parking revenues would meet cruise terminal operating expenses at Piers 27 and 35.

If BCDC permits only, for example, 180 visitor parking spaces in the GTA using the same 60% revenue-sharing assumption, then approximately \$240,000 would be paid to the Port. However, this revenue-sharing percentage may have to be re-negotiated with Metro. After all, Metro too loses potential revenue from a reduced parking capacity while having to maintain roughly equivalent operating costs. A reduction of parking also would have the impact of dramatically reducing the net income to the Port. Resulting in a net loss to the Port. To illustrate this loss, Exhibit D analyzes 180 parking spaces and calculates the financial impact to the Port under this reduced parking space scenario (using the 60% revenue-sharing assumption) depending on the number of cruise calls and events.

The third scenario presented in Exhibit C analyses revenue impacts if BCDC does not permit any visitor parking in the GTA. Not only would there be no revenue generated, but there would be increased costs to prevent visitors from parking in the GTA. This may require installation of a security gate which was never anticipated or higher security costs. Under the no parking scenario, Port staff most likely would have to renegotiate the current deal structure with Metro that is being presented to the Port Commission. Substantial delay of the execution of the Agreement may impact when Pier 27 will be operational, not only cruise calls, but also for events.

Exhibit D includes scenarios with higher numbers of cruise calls and/or events and reduced visitor parking days which yield higher net revenues to the Port. These revenues will help support maintenance of Cruise Terminal Plaza which is the Port's responsibility. Thus, for multiple reasons, the Port's core objective is to maximize bookings for cruise calls and events, the most beneficial approach to support and maintain an active and safe year-round facility.

Total Port Income:

Exhibit C illustrates three potential revenue scenarios: 1) base case, 2) reduced GTA parking, and 3) no GTA parking. Under the base case, Metro will pay the Port approximately \$2.15 million per year. This payment, in addition to the Passenger Fee of \$5.33 million, will generate approximately \$7.48 million in gross revenue per year to the Port.

Under the reduced GTA parking scenario, Metro will pay the Port approximately \$1.95 million. This payment, in addition to the passenger fee of \$5.33 million, equals approximately \$7.28 million in annual gross revenue to the Port.

Finally, under the no GTA parking scenario, Metro will pay the Port approximately \$1.70 million. This payment, in addition to the passenger fee of \$5.33 million, equals approximately \$7.04 million in annual gross revenue to the Port.

Total Port Costs:

Debt service payments by the Port on financing the Pier 27 cruise terminal amounts to approximately \$4.2 million per year. Port maintenance and City traffic enforcement costs are approximately \$339,000 per year.

The Port must also dredge three berths (Pier 27, Pier 35 south, and Pier 35 north) to accommodate occasional double- or triple- header cruise calls. If the eastern berth of Piers 30-32 is used, then the Port does not need to dredge, but there are other Port operating costs (i.e., temporary tenting) because there is no terminal building. This is a fixed annual cost of \$2.2 million.

Under the base case, annual total Port costs are estimated at \$7.45 million.

Net Revenue to Port:

As noted above, the base case represents the break-even scenario where Port gross revenue covers operating costs and debt service with regard to the overall cruise, event and parking operations at Piers 27 and 35. As shown in Exhibit C, the reduction of GTA parking spaces results in a net annual loss of \$194,000. Likewise, the elimination of GTA parking causes a net annual loss of \$434,000. GTA parking is a key factor in determining financial viability. If there is restriction or elimination over its use, then the Port will face difficulty of ever achieving positive net revenue.

The May 13, 2014 staff report showed different net operating scenarios depending on the number of cruise calls, events and parking (using base case of 330 GTA parking spaces). In the scenario where there are only 70 cruise calls and a limited number of events, then there would be an annual loss to the Port of (\$822,467). Likewise, more cruise calls generate positive revenue to the Port.

Events and parking remain a crucial revenue sources.

Because there may be annual revenue fluctuations, the Port, in the short term, should consider ways to reduce its operating costs. Port maintenance costs and City traffic enforcement are relatively minor, but the Port may need to re-assess the near-term viability of incurring dredging costs at either or both Pier 35 berths versus the benefit of utilizing Piers 30-32 which does not require dredging. This pier has no terminal which raises Port operating costs to temporarily tent it for a cruise operation, etc., but there are no dredging costs on the eastern face of Piers 30-32.

The Port should also be pro-active in starting to develop a strategy to deliver an additional cruise berth that would be shoreside power compliant with California Air Resource Board regulations. The likely candidates would be to equip Piers 30-32 with shoreside power if an upgrade project is ever implemented or to develop a pier extension for a dredge-free berth that would be parallel to the Embarcadero. This cruise terminal expansion was conceptually presented to the Port Commission in September 2007 as a possible future phase.

RECOMMENDATION

Although the BCDC permit amendment for the GTA has not yet been resolved, Port staff recommends that the Port Commission approve the Port entering into an Agreement with Metro on terms described in this memorandum. Port staff further recommend that the Port Commission grant the Port's Executive Director to limited ability to negotiate potentially different terms with Metro depending on the final negotiations with BCDC on whether the GTA will be available for use as a part-time, visitor parking resource.

Approval of the Agreement is urgent because this will allow Metro to begin the transition from primary operations at Pier 35 to the new terminal at Pier 27. Pier 27 will be modern facility with numerous components, such as the mobile gangway system and shoreside power. Allowing Metro this transition time will ensure terminal operations will be ready for the initial cruise call in late September.

Execution of the agreement is also critical for event operations. This will allow Metro to directly book events and start to implement their marketing program to attract and sustain event users. A delay in its execution may negatively impact the booking schedule for events at Pier 27.

Prepared by: John Doll, Development Project
Manager
Planning & Development

For: Peter Dailey, Deputy Director
Maritime

Elaine Forbes, Deputy Director
Finance & Administration

Byron Rhett, Deputy Director
Planning & Development

Exhibits:

Exhibit A: Pier 27 Site Map

Exhibit B: Pier 35 Site Map

Exhibit C: Cruise, Special Event and Parking Revenue (*Base Case with 330, 180 and 0 parking space variations*)

Exhibit D: Cruise, Special Event and Parking Revenue (*Reduced Case with 180 parking spaces with variations in number of cruise calls and events*)

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-38

- WHEREAS, Section B3.581 of the Charter of the City and County of San Francisco empowers the Port Commission with the power and duty to use, conduct, operate, maintain, regulate and control the Port area of the City and County of San Francisco; and
- WHEREAS, The City and County of San Francisco, by and through its Port Commission, holds in trust, and subject to its lawful disposition, certain maritime facilities, including passenger terminals situated in the City and County of San Francisco, that are necessary for conducting passenger cruise operations; and
- WHEREAS, On September 16, 2006, Port staff briefed the Port Commission regarding Mayor Gavin Newsom's and the Executive Director's appointment of a Cruise Terminal Advisory Panel to recommend a long-term master plan and strategy to implement a cruise terminal project; and
- WHEREAS, On September 25, 2007, the Port Commission accepted the Cruise Terminal Advisory Panel's recommendations to develop a single-berth primary cruise terminal at Pier 27 and to implement a strategy to build this facility to meet all of the industry standards for a home port cruise terminal; and
- WHEREAS, By Resolution Nos. 11-59, 11-78 and 12-40, the Port Commission approved the James R. Herman Cruise Terminal Project, adopted CEQA findings, including a Mitigation Monitoring and Reporting Program, and authorized Phase 1 of the James R. Herman Cruise Terminal Project so that it can be used as a special event venue by the America's Cup Event Authority in connection with the 34th America's Cup, and authorized Phase 2 so that it can be used as the Port's primary cruise terminal facility by Fall 2014; and
- WHEREAS, On September 11, 2011, by Resolution No. 12-66, the Port Commission authorized staff to issue a request for proposals ("RFP") for the management of cruise operations, events and parking at Piers 27 and 35 as well as other designated Port facilities for such operations; and
- WHEREAS, On February 15, 2013, the Port received two proposals in response to the RFP: Metro Cruise Services ("Metro") and Ports America; and
- WHEREAS, Port staff reviewed both proposals, reviewed business references, and determined that both respondents met the minimum qualifications

stated in the RFP, and convened an evaluation panel to evaluate and score the written proposals and interview each of the respondents based on the evaluation criteria published in the RFP evaluation criteria and in accordance with standard City procurement policies and practices; and

- WHEREAS, The evaluation panel scored the written proposals and responses to the interview questions, and ranked Metro as the successful respondent to the RFP and Port staff agreed with the evaluation panel's recommendation; and
- WHEREAS, On June 11, 2013, pursuant to Resolution No. 13-25, the Port Commission selected Metro as the successful respondent to the RFP and authorized Port staff to negotiate a management agreement with Metro; and
- WHEREAS, Pacific Cruise Terminal, LLC, the parent company of Metro and Metro Shore Services, (each a "Metro Entity"), will be the signatory to the Terminal Management Agreement and License ("Agreement"); and
- WHEREAS, The Port Commission has reviewed and considered the information contained in the [month, year] Environmental Impact Report ("EIR"), the findings contained in Port Commission Resolution No. 11-75 and all written and oral information provided by the public, relevant public agencies, the Port Commission and other experts and the administrative files for the Project; now therefore be it
- RESOLVED, The Port Commission finds that the EIR is adequate for its use as the decision-making body for this approval action and incorporates the California Environmental Quality Act findings contained in Resolution No. 11-75, including the Statement of Overriding Considerations, by this reference thereto as though set forth in this Resolution; and be it further
- RESOLVED, The Port Commission further finds that since the EIR was finalized, there have been no substantial project changes and no substantial changes in project circumstances that would require major revisions to the EIR due to the involvement of new significant environmental effects or an increase in the severity of previously identified significant impacts, and there is no new information of substantial importance that would change the conclusions set forth in the EIR; and be it further
- RESOLVED, That the Port Commission approves the form and the substance of the Agreement, including all attachments and exhibits thereto, incorporating the material business terms set forth in the Memorandum for Agenda Item 11A for the Port Commission meeting on May 27, 2014, and authorizes the Executive Director to enter into such Agreement with a Metro Entity; and be it further

- RESOLVED, That the Port Commission authorizes the Executive Director to continue negotiations with the San Francisco Bay Conservation and Development Commission ("BCDC") regarding daily and visitor parking at the Pier 27 Ground Transportation Area ("GTA"); and be it further
- RESOLVED, That if the negotiated deal with BCDC significantly reduces the number of GTA parking spaces available for daily and visitor parking on non-cruise days from the 330 GTA parking spaces assumed in Port's base case analysis described in the Memorandum for Agenda Item 11A for the Port Commission meeting on May 27, 2014 and the project revenue stream for both Port and the Metro Entity are materially and adversely impacted, then the Executive Director may reduce Port's share of parking gross revenues from the GTA if the Executive Director, in consultation with the City Attorney, determines such reduction is in the best interests of the City and is necessary or advisable to effectuate the purpose and intent of this resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of an amendment or other modification of the Agreement; and be it further
- RESOLVED, That the Port Commission authorizes the Executive Director to enter into any further additions, amendments or other modifications to the Agreement including preparation and attachment of, or changes to, any or all of the attachments and exhibits that the Executive Director, in consultation with the City Attorney, determines are in the best interests of the City, do not materially decrease the benefits or otherwise materially increase the obligations or liabilities of the City or Port, and are necessary or advisable to complete the transactions that the Agreement contemplates and to effectuate the purpose and intent of this resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of such other additions, amendments or other modifications to the Agreement; and be it further
- RESOLVED, That the Port Commission approves, confirms and ratifies all prior actions taken by the officials, employees and agents of the Port Commission or the City with respect to the Agreement.

I hereby certify that the Port Commission at its meeting of May 27, 2014 adopted the foregoing Resolution.

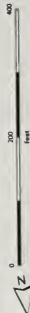
Secretary



PORT OF SAN FRANCISCO

EXHIBIT A: PIER 27 SITE MAP

6:\02 NORTH EAST WATERFRONT PROJECTS\PIER 27 CRUISE TERMINAL\POS_PIER27_PERMISSEFORMGMT.MXD



METRO PREMISES MANAGEMENT

EASTERN
PROVISIONING
AREA

FACILITY
OPERATIONS
BUILDING

CRUISE
TERMINAL
BUILDING

GROUND
TRANSPORTATION
AREA

PIER 29

RELIANCE
BUILDING

CRUISE
TERMINAL
PLAZA

METRO PREMISES MANAGEMENT AGREEMENT

PIER 33

PIER 35

PIER
35 1/2

SAN FRANCISCO

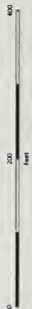


EXHIBIT B: PIER 35 SITE MAP

© 1993 SOUTHWEST WATERBORT PROJECTS/PIER 37 CRUISE TERMINAL/DOCK, PIER 35, PERMITS/FOOTPRINT MAP



PORT OF SAN FRANCISCO

Cruise, Special Event, and Parking Revenues from Piers 27 and 35

Assumed Payments from Metro to Port*

Number of Cruise Calls	Terminal Payment
0 to 86	\$ 180,000
87 to 91	\$ 120,000
92 to 96	\$ 60,000
Additional Payments to Port	% of Gross Revenues
Events	50%
Parking	60%

	0 GTA Spaces for Tourism Parking	180 GTA Spaces for Tourism Parking	330 GTA Spaces for Tourism Parking (Base Case)
1 Calls	82	82	82
2 Passenger Wharfage (\$ per person)	18	18	18
3 % Diverted to P35	20%	20%	20%
4 Special Event Occupancy Rate	50%	50%	50%
5 Number of Events	52	52	52
Revenues			
10 Stevedoring	\$ 8,424,412	\$ 8,424,412	\$ 8,424,412
11 Events	2,384,994	2,384,994	2,384,994
12 Pier 27 Parking - Tourist	-	399,424	732,278
13 Pier 27 Parking - Special Events	78,122	78,122	78,122
14 Pier 35 Parking - Cruise	477,639	477,639	477,639
15 Parking (after tax)	555,761	955,186	1,288,039
16 Total Revenues	11,365,167	11,764,592	12,097,440
Expenses			
17 Stevedoring Variable Costs	5,193,453	5,193,453	5,193,453
18 Existing Fixed Costs	1,280,821	1,280,821	1,280,821
19 New Steadies	560,419	560,419	560,419
20 Maintenance	491,000	491,000	491,000
21 Stevedoring	7,525,693	7,525,693	7,525,693
22 Events	675,667	675,667	675,667
23 Pier 27 Parking - Tourist**	43,809	175,235	175,235
24 Pier 27 Parking - Special Events	18,695	18,695	18,695
25 Pier 35 Parking - Cruise	142,598	142,598	142,598
26 Parking	205,102	336,529	336,529
27 Total Expenses	8,406,463	8,537,889	8,537,889
Net Revenue			
28 Stevedoring	898,719	898,719	898,719
29 Events	1,709,327	1,709,327	1,709,327
30 Pier 27 Parking - Tourist	(43,809)	224,189	557,043
31 Pier 27 Parking - Special Events	59,428	59,428	59,428
32 Pier 35 Parking - Cruise	335,041	335,041	335,041
33 Parking	350,659	618,657	951,511
34 Total Net	2,968,705	3,226,703	3,559,556

Payments to Port*

35 Terminal Payment	180,000	180,000	180,000
36 Events	1,192,497	1,192,497	1,192,497
37 Pier 27 Parking - Tourist	-	239,655	439,367
38 Pier 27 Parking - Special Events	46,873	46,873	46,873
39 Pier 35 Parking - Cruise	286,583	286,583	286,583
40 Parking	333,457	573,111	772,824
41 Total Rent from Metro	1,705,954	1,945,608	2,145,321
42 Port Wharfage and Dockage	5,333,370	5,333,370	5,333,370
Total Port Income	7,039,324	7,278,978	7,478,690
43 Port Maintenance Cost	(137,363)	(137,363)	(137,363)
44 Traffic Enforcement	(201,846)	(201,846)	(201,846)
45 Debt Service	(4,200,000)	(4,200,000)	(4,200,000)
46 P27 Dredge	(1,285,200)	(1,285,200)	(1,285,200)
47 P35 South Dredge	(989,145)	(989,145)	(989,145)
48 P35 North Dredge	(659,430)	(659,430)	(659,430)
49 Net to Port	\$ (433,681)	\$ (194,006)	\$ 5,700

* Recommended payments to the Port were negotiated assuming the full GTA (330 spaces) would be available to the terminal operator for parking. A reduced lot size may result in renegotiation of terms.

** Expenses for GTA parking, which assume a staffed model as opposed to self-pay, are assumed consistent if spaces are reduced from 330 to 180. If tourist parking is eliminated, expenses are reduced to 25% in order to cover fixed costs and costs to enforce no parking.

Cruise, Special Event, and Parking Revenues from Piers 27 and 35

	Average
Revenue Per Event	\$ 45,905
Call Occupancy (Days)	2.00
Event Occupancy (Days)	2.25

Assumed Payments from Metro to Port*

Number of Cruise Calls	Terminal Payment
0 to 86	\$ 180,000
87 to 91	\$ 120,000
92 to 96	\$ 60,000

Additional Payments to Port*	% of Gross Revenues
Events	50%
Parking	60%

	Low Calls Low Events	Low Calls High Events	Base Case	High Calls Low Events	High Calls High Events	2013 (P35)
1 Calls	70	70	82	90	90	65
2 Passenger Wharfage (\$ per person)	18	18	18	18	18	12
3 % Diverted to P35	20%	20%	20%	20%	20%	0%
4 Special Event Occupancy Rate	40%	60%	50%	46%	68%	0%
5 Number of Events	45	67	52	45	67	0
Revenues						
10 Stevedoring	\$ 7,191,571	\$ 7,191,571	\$ 8,424,412	\$ 9,246,306	\$ 9,246,306	\$ 6,677,888
11 Events	2,064,682	3,097,024	2,384,994	2,074,067	3,066,013	-
12 Pier 27 Parking - Tourist (180 Spaces)	518,671	345,781	399,424	407,761	241,636	-
13 Pier 27 Parking - Special Events	67,630	101,445	78,122	67,938	100,430	-
14 Pier 35 Parking - Cruise	407,741	407,741	477,639	524,238	524,238	-
15 Parking (after tax)	994,042	854,967	955,186	999,937	866,304	-
16 Total Revenues	10,250,296	11,143,562	11,764,592	12,320,311	13,178,623	6,677,888
Expenses						
17 Stevedoring Variable Costs	4,433,436	4,433,436	5,193,453	5,700,132	5,700,132	4,116,762
18 Existing Fixed Costs	1,280,821	1,280,821	1,280,821	1,280,821	1,280,821	1,280,821
19 New Steadies	560,419	560,419	560,419	560,419	560,419	-
20 Maintenance	491,000	491,000	491,000	491,000	491,000	122,750
21 Stevedoring	6,765,676	6,765,676	7,525,693	8,032,372	8,032,372	5,520,333
22 Events	584,923	877,385	675,667	587,582	868,599	-
23 Pier 27 Parking - Tourist	227,551	151,701	175,235	178,893	106,011	-
24 Pier 27 Parking - Special Events	16,184	24,276	18,695	16,258	24,033	-
25 Pier 35 Parking - Cruise	121,730	121,730	142,598	156,511	156,511	-
26 Parking	365,466	297,707	336,529	351,661	286,554	-
27 Total Expenses	7,718,065	7,940,768	8,537,689	8,971,615	9,187,525	5,520,333
Net Revenue						
28 Stevedoring	425,896	425,896	898,719	1,213,934	1,213,934	1,157,555
29 Events	1,479,759	2,195,639	1,709,327	1,486,485	2,197,413	-
30 Pier 27 Parking - Tourist	291,120	194,080	224,189	228,868	135,626	-
31 Pier 27 Parking - Special Events	51,446	77,169	59,428	51,680	76,397	-
32 Pier 35 Parking - Cruise	286,010	286,010	335,041	367,728	367,728	-
33 Parking	628,576	557,259	618,657	648,276	579,750	-
34 Total Net	2,534,231	3,202,794	3,226,705	3,348,696	3,991,097	1,157,555
Payments to Port*						
35 Terminal Payment	180,000	180,000	180,000	120,000	120,000	180,000
36 Events	1,032,341	1,548,512	1,192,497	1,037,034	1,533,008	-
37 Pier 27 Parking - Tourist	311,203	207,468	239,655	244,657	144,982	-
38 Pier 27 Parking - Special Events	40,578	60,867	46,873	40,763	60,258	-
39 Pier 35 Parking - Cruise	244,644	244,644	286,583	314,543	314,543	-
40 Parking	596,425	512,980	573,111	599,962	519,782	-
41 Total Rent from Metro	1,808,768	2,241,492	1,945,608	1,756,996	2,172,789	180,000
42 Port Wharfage and Dockage	4,552,877	4,552,877	5,333,370	5,853,699	5,853,699	2,833,288
43 Total Port Income	6,381,543	6,794,369	7,278,978	7,610,695	8,026,487	3,013,288
44 Port Maintenance Cost	(137,363)	(137,363)	(137,363)	(137,363)	(137,363)	(137,363)
45 Traffic Enforcement	(172,308)	(172,308)	(201,846)	(221,538)	(221,538)	(160,000)
46 Debt Service	(4,200,000)	(4,200,000)	(4,200,000)	(4,200,000)	(4,200,000)	-
47 P27 Dredge	(1,285,200)	(1,285,200)	(1,285,200)	(1,285,200)	(1,285,200)	(1,285,200)
48 P35 South Dredge	(989,145)	(989,145)	(989,145)	(989,145)	(989,145)	(989,145)
49 P35 North Dredge	(659,430)	(659,430)	(659,430)	(659,430)	(659,430)	(659,430)
49 Net to Port	\$ (1,061,603)	\$ (648,077)	\$ (194,008)	\$ 118,018	\$ 533,811	\$ (217,850)

* Recommended payments to the Port were negotiated assuming the full GTA (330 spaces) would be available to the terminal operator for parking. A reduced lot size may result in renegotiation of terms.



MEMORANDUM

May 23, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Informational Presentation on the Port's strategy to remove deteriorated and non-functional creosote treated and other piles, piers and wharves along its Southern Waterfront

DIRECTOR'S RECOMMENDATION: Informational Presentation

EXECUTIVE SUMMARY

Since 2000, the Port has undertaken a significant number of projects to remove deteriorated, pile supported structures from the Bay, primarily to fulfill the Port's obligations to remove Bay fill articulated in the Special Area Plan ("SAP") for the San Francisco Waterfront and to remove hazardous conditions for life safety or Port operational needs. The SAP is administered by the San Francisco Bay Conservation and Development Commission ("BCDC"). The SAP fill removal requirements are centered in the area between Pier 35 and Mission Creek because the SAP instituted a planned approach to building parks, removing fill, and creating open water basins in that area. Consistent with the assumptions underlying the Waterfront Land Use Plan, the SAP did not attempt to introduce this planned approach of implementing SAP public benefits (parks, fill removal, and open water) in either the Fisherman's Wharf area, or the Port's waterfront south of Mission Creek.

At the request of Commissioner Kimberly Brandon, this report outlines a strategy for funding and implementing fill removal in the Port's Southern Waterfront area, which is generally defined from Mariposa Street (Pier 70) to Heron's Head Park (Pier 98), where no SAP or other BCDC fill removal requirements exist.

THIS PRINT COVERS CALENDAR ITEM NO. 12A

COMPLETED FILL REMOVAL PROJECTS

Table 1 below indicates the fill removal projects the Port has completed to date.

Table 1- Completed Pile, Pier and Wharf Removal Summary Table

Project	Regulatory Requirement - Reason	Year
Fisherman's Wharf, Wharf J3	Emergency demolition, life safety	2002
Fisherman's Wharf, Wharf J10	Emergency demolition, life safety	2009
Pier 43 Parking Lot	Pier 43 Promenade GO Bond Parks Project	2011
Pier 24 (except portion abutting the Bay Bridge)	BCDC Special Area Plan (SAP)	2001
Pier 34	BCDC Special Area Plan (SAP)	2001
Pier 15-17 (partial removal – 108,000 deferred per SAP amendment)	BCDC Special Area Plan – 2009 amendment authorizes area not removed at the site to be removed within 10 years of Certificate of Occupancy either within the Northern Waterfront or in the Southern Waterfront	2009
Pier ½	BCDC Major Permit for 34 th America's Cup	2012
Pier 36	BCDC Special Area Plan (SAP)	2012
Pier 64 (in progress)	BCDC Major Permit for 34 th America's Cup	2014
Pier 70 Wharf 4	Operational Hazard to Ship Repair	2002

SOUTHERN WATERFRONT FILL REMOVAL STRATEGY

The Port's Southern Waterfront area includes several areas of deteriorated and non-functional creosote treated and other piles, wharves and piers. Recognizing that these facilities are: a) a visual blight, b) an environmental hazard to the Bay; c) a navigational hazard; and d) can cause damage to other Port facilities, the Port has initiated the necessary analysis to determine an appropriate removal strategy to alleviate these conditions. At the request of Commissioner Brandon, this report outlines a strategy to address fill removal in this area in advance of any regulatory obligation.

Over the next five years if successful in securing adequate funds and completing required due-diligence, the Port intends to remove piles in three general areas (*see also Exhibit 1- Pile Removal Site Context*): Pier 70, Islais Creek and Pier 96. In total once completed, this will account for approximately 283,000 square feet of area or approximately 6.5 acres of Bay fill removed.

The funding for the pile removal project will come from multiple sources including the Port's Capital funds, the Port's Southern Waterfront Beautification funds, the Exploratorium (through their BCDC Major Permit) and grants from the California Coastal Conservancy. Funds may potentially come from United States Army Corps of Engineers (USACE).

The removal project will require permits from the Regional Water Quality Control Board ("RWQCB") and BCDC and will require Environmental Review consistent with the California Environmental Quality Act (CEQA) and if federal funds are used, the National Environmental Policy Act (NEPA).

PROJECT

There are three general locations where the Port plans to remove piles, wharves and piers, including Pier 70, along Islais Creek and Pier 96 as shown in *Exhibits 2 through 6, Pile Removal Projects*. Table 1, below summarizes the individual projects and their related details.

Table 2- Pile, Pier and Wharf Removal Summary Table

Project/Location	Total Area (Square Feet)	Cost*	Potential Funding Source(s)	Schedule MO/YR	Permits
Pier 70 Wharf 8	150,000	\$5,600,000	USACE, Exploratorium	6/15-6/17	BCDC/USACE/RWQCB/CE QA/NEPA
Pier 90 Silos	80,000	\$2,560,000	To be determined	TBD	BCDC/USACE/RWQCB/CE QA
Bayview Gateway	13,000	\$ 470,000	2008 GO Bond	7/14 - 7/15	BCDC/USACE/RWQCB/CE QA
Islais Creek Wharves	15,000	\$ 480,000	Grant/SW Beautification	6/15 - 10/15	BCDC/USACE/RWQCB/CE QA
Pier 96 LASH	25,000	\$ 800,000	SW Beautification	6/16 - 10/16	BCDC/USACE/RWQCB/CE QA
Total	283,000	\$9,910,000			

* Cost estimates based upon contract bid amount, if work done with Port crews, cost could be reduced up to- 50%.

Each of these projects achieves the benefits outlined previously and some require additional analyses to determine ultimate feasibility. The following briefly describes each project and further analysis required.

1. Pier 70 Wharf 8 Removal Area

Pier 70 Wharf 8 (see *Exhibit 2*), is an approximately 150,000 square foot pier structure constructed of steel and wood piles. It was originally constructed to support ship building operations and later to off load fuel to the Potrero Power Plant. Wharf 8 has not been used since the 1980s. Because of the significant size and cost to remove the wharf, the Port has submitted a request to the USACE pursuant to the Water Resources Development Act (WRDA) to partner on the project, which would make available federal funding to assist with removal of the pier. Additionally, the Port is analyzing the impacts the wharf removal may have on sedimentation in the Central Basin and whether removal would impact the ship repair operations at the adjacent BAE Ship Repair facility. If awarded the grant, the Port would need to match the grant with approximately \$1.9 million. The BCDC Major Permit for the Exploratorium at Piers 15-17 contemplates that the Exploratorium will remove fill to compensate for 108,000 square feet of fill not

removed between Piers 15 and 17. The Port's lease with the Exploratorium requires the Exploratorium to fund fill removal up to a cost cap of \$2 million, indexed annually (in two installments). The lease also requires the Port to pursue other public funding – such as funding from the USACE – to match the Exploratorium's contribution.

2. Pier 90 Silos Removal Area

The Pier 90 Silos (*see Exhibit 3, Pier 90*) include an approximately 80,000 square foot pile-supported structure, primarily constructed of wood piles and decking. In addition to the wood structures, there are steel conveyor structures supported on concrete piles, which would not be removed. This project would include removal of the wood structures only. Prior to determining the feasibility of demolishing this facility an engineering analysis needs to be conducted to determine if there is an impact on the sea wall in this area. To date no source of outside funding has been secured.

3. Bayview Gateway Removal Area

This project includes the removal of approximately 13,000 square feet of pile-supported wood structure (*see Exhibit 4, Bayview Gateway Site Location*). The total cost for removal of these piles and dilapidated wood structure is approximately \$470,000. This work is currently out to bid as a part of the larger Bayview Gateway project.

4. Islais Creek Wharves Removal Area

This project includes deteriorated wharves and piles west of Third Street along both the northern and southern shorelines (*see Exhibit 5*). On the northern shoreline are remnants of the Copra processing facility and on the south side are remnant piles. Each of these areas was constructed with creosote treated piles. The Port received a grant for \$657,000 to reconstruct the Copra Crane and to remove as many of the piles and wharves as possible. The Port is working to finalize the design and demolition plans for these projects. The Port anticipates bidding a contract for this work in early 2015.

5. Pier 96 LASH Pier Removal Area

The Pier 96 "Lighter Aboard Ship" (LASH) Pier (*see Exhibit 6*) is an approximately 25,000 square foot creosote treated pile supported pier that has begun to collapse. The total cost to remove this pier is approximately \$800,000. This project could be funded through the Port's Southern Waterfront Beautification funds, if undertaken by Port Maintenance. Port staff is seeking guidance from the Port Commission on whether to initiate this project utilizing the Southern Waterfront Beautification funds.

PERMITS

Removal of Bay fill requires permits from a variety of agencies depending on funding sources. The following briefly describes the permits required and typical time frame to secure the permits:

- a) USACE: 6 - 12 months, the permit authorizes work in navigable water, including pile removal
- b) RWQCB: 3 - 4 months, the permit authorizes work in the Bay in a manner that does not to impact water quality
- c) BCDC: 3 - 4 months, the permit authorizes removal of Bay fill and allows the Port to accept fill removal credits

- d) CEQA 3 - 6 months, the environmental review ensures that there are no environmental impacts or, if there are, that mitigations are established
- e) NEPA 6 - 12 months, this environmental review required if federal funding is utilized to ensure that there are no environmental impacts or, if there are, that mitigations are established

Each of the projects listed above requires USACE, RWQCB, and BCDC permits and is subject to CEQA. The Pier 70 Wharf 8 project would also require environmental review for compliance with NEPA if the Port is successful in partnering with the USACE. Seasonal restrictions on work in water to minimize potential for impact to protected species may also apply and, if so, time to complete the work may be extended.

FUNDING

The Port has secured the necessary funding to complete two of the five projects, including the Bayview Gateway Site and Islais Creek Wharves.

Based upon available Port Capital funding from the Southern Waterfront Beautification Funds, the Port could pursue removal of the Pier 96 LASH pier utilizing Port labor. Removal of the LASH pier requires very little engineering design, but does require permits.

The Pier 70 Wharf 8 project is being considered for funding by the USACE pursuant to Water Resource Defense Act of 2007 (WRDA07). The Exploratorium is responsible for paying up to \$2,000,000, indexed annually, towards the cost of the fill removal.

The pier removal of the Pier 90 Silos pier is estimated at \$2.56 million, and no funding source has been identified.

PROJECT SCHEDULE & NEXT STEPS

Table 3, Project Schedule briefly describes next steps and potential schedules for each project.

Table 3, Potential Project Schedule

Project	Analysis	Design	Permits	Bid/Award*	Start	Complete
Pier 70**	1/15- 7/15	1/16 - 4/16	1/16-1/17	2/17- 6/17	7/17	12/17
Pier 90 Silos	7/14 -12/14	1/15 – 4/15	1/15 – 1/16	2/16 – 6/17	7/17	12/17
Bayview Gateway	complete	complete	complete	underway	9/14	9/15
Islais Creek	complete	complete	5/15 – 6/15	7/15 – 11/15	12/15	6/16
Pier 96 LASH	complete	8/14 -10/14	9/14 – 9/15	10/15 - 2/15	3/15	8/15

* Could be deleted if Port Crews conducted work

** schedule subject to USACE Grant

Port staff will complete its engineering analysis to determine the feasibility of fill removal for Pier 70 and Pier 90 and will continue to pursue securing necessary permits. Port staff will report back to the Commission on the status of these fill removal projects as funding becomes available and projects move into implementation.

Prepared by: David Beaupre, Senior Planner

Prepared for: Byron Rhett, Deputy Director
Planning and Development

Uday Prasad, Interim Chief Harbor
Engineer

Elaine Forbes, Deputy Director of
Finance and Administration

Exhibits:

1. Project Location & Setting
2. Pier 70 Wharf 8 Removal Area
3. Pier 90 Silos Removal Area
4. Bayview Gateway Removal Area
5. Islais Wharves Removal Area
6. Pier 96 LASH Removal Area



1. Pier 70 Wharf 8 Removal Area
2. Pier 90 Silos Removal Area
3. Bayview Gateway Removal Area
4. Islais Wharves Removal Area
5. Pier 96 LASH Removal Area

Exhibit 1

Project Location and Setting

Southern Waterfront Pile, Pier and Wharf Removal Strategy

Port of San Francisco



150,000 square feet, wood & steel

0 200 400 800 Feet

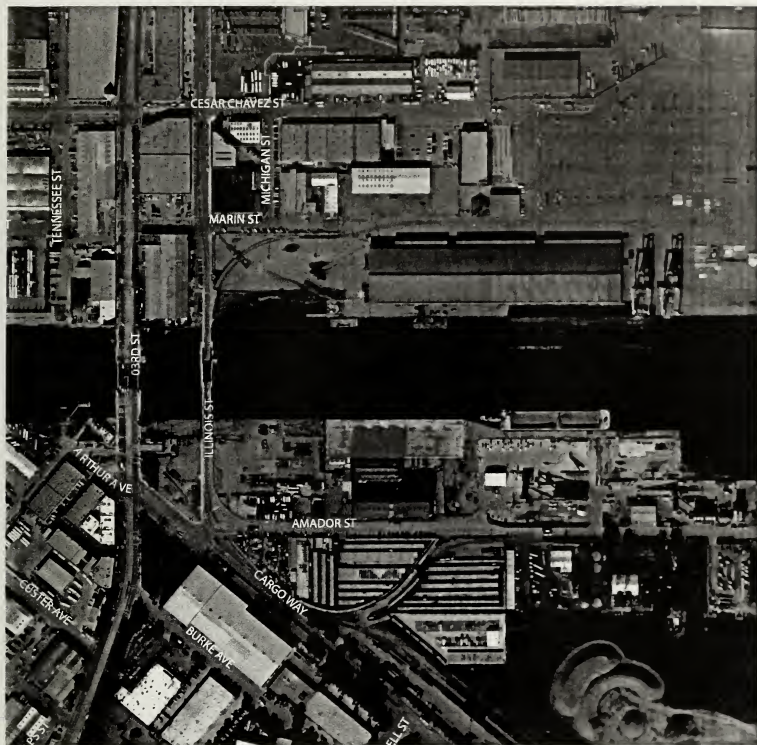


Exhibit 2

Pier 70 Wharf 8 Removal Area

Southern Waterfront Pile, Pier and Wharf Removal Strategy

Port of San Francisco



80,000 square feet



Exhibit 3
 Pier 90 Silos Removal Area
 Southern Waterfront Pile, Pier and Wharf Removal Strategy
 Port of San Francisco



13,000 square feet

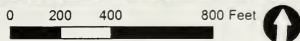


Exhibit 4
 Bayview Gateway Removal Area
 Southern Waterfront Pile, Pier and Wharf Removal Strategy
 Port of San Francisco



15,000 square feet, wood piles



Exhibit 5

Islais Wharves Removal Area

Southern Waterfront Pile, Pier and Wharf Removal Strategy

Port of San Francisco



25,000 square feet, all wood



Exhibit 6

Pier 96 LASH Removal Area
Southern Waterfront Pile, Pier and Wharf Removal Strategy

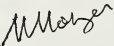
Port of San Francisco



MEMORANDUM

May 23, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer 
Executive Director

SUBJECT: Fiscal Year 2014-15 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates

DIRECTOR'S RECOMMENDATION: Information Only-No Action Required

Executive Summary

The Port Commission periodically reviews and sets rental rates for its commercial leasing properties. These rates are known as the Port's Monthly Rental Rate Schedule, Monthly Parking Stall Rate Schedule and Special Event and Filming Rate Schedule (together, the "Rental Rate Schedule").

Separately, starting in 1993¹, the Port Commission delegated authority to the Executive Director to approve and execute (i) leases, (ii) licenses and (iii) Memoranda of Understanding ("leases") provided that the terms of these agreements conform to certain minimum parameter terms of the Port's leasing policies. These parameter terms include a schedule of minimum rental rates for leases, aka the Rental Rate Schedule that are delegated to the Executive Director for execution without Port Commission approval.

For the past several years, the Port Commission has assumed the practice of reviewing rates on an annual basis, and enacting a new Rental Rate Schedule which typically includes increases to rental rates for some properties, decreases to rental rates for other properties and unchanged rates for most properties. The Port Commission's review is based on recommendations from Port staff following staff's research of current market conditions (see "Rate Setting Methodology" below). At the request of the Port Commission, Port staff first present the proposed new Rental Rate Schedule as an informational item to allow the Port

THIS PRINT COVERS CALENDAR ITEM NO. 13A

¹ Port Commission Resolution No. 93-127, as amended by Resolution No. 93-135

Commission and the public the opportunity to review the proposal, make inquiries and request amendments if needed. Thereafter, Port staff present a final Rental Rate Schedule, with an effective date, for Port Commission approval.

The Port's current Rental Rate Schedule for Fiscal Year 2013-14 was adopted by the Port Commission in June, 2013 and became effective as of July 1, 2013. It will remain in effect until the Port Commission adopts a successor Rental Rate Schedule with a new effective date. Port staff present the attached proposed Rental Rate Schedule for Fiscal Year 2014-15 for the Port Commission's and public's review and discussion. Port staff propose that, if adopted at a subsequent Port Commission meeting, the Rental Rate Schedule for Fiscal Year 2014-15 take effect on July 1, 2014.

Rental Portfolio

The Port's portfolio area consists of 7½ miles of waterfront property adjacent to the San Francisco Bay, from Hyde Street Pier in the northeast to India Basin in the southwest. It includes more than 834 acres consisting of 629 acres of landside property and 205 acres of waterside property. Commercial operations on Port property include restaurants, retail shopping, ferry service, commercial fishing, Bay excursion, professional sports, bulk cargo, cruise ship calls and ship repair. The Real Estate Division manages approximately 550 commercial leases, which represent 309 commercial and industrial tenants including long-term ground leases at Fisherman's Wharf, Pier 39, Piers 15-17, Piers 1½-3-5, Pier 1, the Ferry Building and AT&T Park.

The Port's properties available for commercial leasing consist of approximately 13.1 million square feet, as described below. As such leases expire, are amended or renewed, they become subject to the Rental Rate Schedule. Such properties consist of:

- Office Spaces: approximately 315,105 square feet of Class B and Class C space located in 18 separate buildings throughout the Port's portfolio. Office space also include space for office storage which generally carries a lower rate than the related office space
- Industrial Sheds: approximately 1,834,864 square feet of industrial sheds located at 16 piers and 6 sea wall lots ("SWLs")
- Open Land: approximately 980,100 square feet of unpaved land, 9,954,391 square feet of paved land, 871,200 square feet of improved land, and 360,000 square feet of submerged land
- Open Pier Space: generally refers to pier aprons and valley areas
- Fishing Industry Uses: non-berthing spaces utilized fish wholesaling, fish processing and fishing gear storage consisting of approximately 25,000 square feet of improved space at Pier 45, warehouse space at Pier 33 and at 699 Illinois Street and related pier aprons

Leasing Policies

The Rental Rate Schedule is one of several Port Commission directives and policies to address real property agreements in accordance with the Port's mission to manage and steward the Port's diverse real estate assets. Embedded in the Port's management of its portfolio is its obligation to charge market rates for its property. Generally, the leases, licenses and

Memoranda of Understanding that Port staff execute under this delegation include agreements for use of existing structures, facilities and land involving negligible or no expansion or change of use. A synopsis of Port Leasing Policies providing for delegated authority to staff is contained in Exhibit H hereto.

Rate Setting Methodology

In reviewing and proposing the Rental Rate Schedule, Port Real Estate staff adhere to the following methodology:

1. Review available commercial data including comparable market rates of similarly situated properties to that of Port properties (see Exhibit D, Bibliography). With respect to office space, Port staff consulted market reports published by five San Francisco real estate firms. With respect to industrial space, Port staff consulted a market report published by Cassidy Turley. With respect to fishing space, Port staff consulted five separate fishing harbors. With respect to parking, Port staff surveyed various parking lots/garages in adjacent areas (see Exhibits F1 & F2, Parking). A summary of Port staff's findings is presented throughout the remainder of this report.

It should be noted that the commercially available data reviewed by Port staff is based on full service office leases not net leases, like those of the Port. Additionally, these comparable rates are the market asking rates not the final contract rates. The final contract rates are not available in most cases from private landlords and would only be available on an ad hoc basis. The difference between a full service lease and a net lease is approximately \$1.00 to \$1.25 per square foot. The majority of Port offices are leased on a triple net basis so a comparison to commercially available data is not precise.

2. Review Port leasing activity for the prior 12 months (included as Exhibit I). Staff uses Port leasing data as a measure of whether the current Rental Rate Schedule is in-line with current market conditions. Large vacancies would signal that rental rates are too high and low to no vacancy would signal that they are not high enough.
3. Third party consultant review: The Port has contracted with Keyser Marston Associates (KMA), a third party consultant, to review the proposed Rental Rate Schedule for Fiscal Year 2014-15. KMA gave input to the Port's proposed Rental Rate Schedule and submitted a report summarizing their work (see Exhibit G).

Market Summary - Office

San Francisco's unemployment rate stands at 5.2% (source: Federal Reserve Bank, May 2014) down from 6.8% in January 2013. The San Francisco office market continues to improve at a steady pace. Net absorption (the change in occupied space) for San Francisco was a positive 349,377 square feet in the first quarter. Asking rents have strengthened and are on track to grow at a steady pace through 2014 (Source: Cushman & Wakefield First Quarter Office Report 2014). In 1Q 2014 San Francisco average office rental rates were as follows:

Office Rental Rate per Square Foot

Office Type	SF Monthly	SF Annual	Port Monthly	Port Annual
Class A full service	\$4.88	\$58.64	n/a	n/a
Class B full & net	\$4.41 full	\$52.95 full	\$2.69 net	\$32.28 net
Class C full & net	\$3.38 full	\$40.59 full	\$1.63 net	\$19.50 net

The majority of the Port's leases are "triple net" leases meaning that the tenant has agreed to pay all property insurance, real estate taxes, utilities and janitorial service for the premises. The table below illustrates the conversion to Triple Net lease rates from Full Service lease rates. As a matter of practice, office rates listed in commercial rate reports are quoted for full service leases and they are quoted as asking rates only not the final contract rates.

Office Rental Rate Conversion from Full Service to Triple Net Service

<u>Office Type</u>	<u>SF Monthly</u>	<u>SF Annual</u>	<u>Port Monthly</u>	<u>Port Annual</u>
Class B Net	\$3.16	\$37.92	\$2.69	\$32.28
Class C Net	\$2.13	\$25.56	\$1.63	\$19.50

The majority of Port-managed office spaces primarily fall into the *Class C* category of office space with the exception of the Roundhouse Plaza, Pier 9, Pier 26 Annex, Pier 33½, and Pier 35, which are considered *Class B*. While the Port's portfolio contains *Class A* office space, it is managed by master tenants and not subject to the Port's Rental Rate Schedule such as the Ferry Building, Pier 1, Pier 1½-3- 5.

Class A office buildings are usually located in central financial districts with higher-end amenities and lobbies. *Class A* office buildings are usually steel-framed and tall. Current rental rates for *Class A* office full service space in San Francisco's Financial District average \$5.01 per square foot per month (\$60.20 annualized). In the submarket of Jackson Square/North Waterfront, rates are \$4.02 per square foot per month (\$48.89 annualized). The Port does not directly manage any *Class A* office buildings. (Source: Cushman & Wakefield First Quarter 2014)

Class B office buildings have good (versus excellent) locations, management and construction, and tenant standards are high. *Class B* buildings have very little functional obsolescence and deterioration. In practical terms, *Class B* buildings are usually newer, wood-framed buildings or older and/or former *Class A* buildings. *Class B* office buildings are usually three stories or less. The average San Francisco *Class B* full service office rents as of 1Q 2014 range from \$4.49 to \$4.88 per square foot per month (\$53.93 to \$58.65 annualized). The Port has approximately 150,000 square feet of *Class B* office space. (Source: Cushman & Wakefield First Quarter 2014) Comparatively, the average Port of San Francisco *Class B* net and full service office space for 1Q 2014 ranges from \$2.38 to \$3.00 per square foot per month (\$28.56 to \$36.00 annualized). The range is somewhat wider than the overall City average due largely to the fact that the Port manages both full service and net *Class B* offices in both the northern and southern waterfront. Typically, offices located in the southern waterfront command a lower rate due to their more remote location away from transportation and other local amenities. Typical office expenses in net leases range from \$1.00 to \$1.25 per square foot. As such, a full service lease that would command \$3.00 per square foot per month is likely to command \$1.75 to \$2.00 per square foot per month after payment of expenses by the tenant. (Source: Port of San Francisco Lease Activity April 1, 2013 to March 31, 2014, Exhibit B)

Class C office buildings are typically 15 to 25 years old but are maintaining steady occupancy. The Port has 180,000 square feet of *Class C* office space. A fair number of the *Class C* office spaces in the Port's inventory are not truly office buildings but rather walk-up office spaces above retail or service businesses. The average San Francisco *Class C* net and full service office space for the same period shows rental rates averaging \$3.38 per square foot per month (\$40.59 annualized). Note that the majority of the San Francisco *Class C* leases are full service leases. (Source: Cushman & Wakefield First Quarter 2014)

In 1Q 2014 the average Port of San Francisco *Class C* net and modified net office space for the same period ranges from \$1.25 to \$2.00 per square foot per month (\$15 to \$24 annualized). The reason that the Port average is lower than the City is because 90% of Port *Class C* space is located in the Southern Waterfront further away from downtown, transportation and other local amenities. (Source: Port of San Francisco Lease Activity April 1, 2013 to March 31, 2014, Exhibit B)

The table below gives a snap shot of rental markets broken out by Class type and by geographical area.

San Francisco Office Submarkets First Quarter 2014

Class A Office	Class	Inventory	# of Buildings	Direct Vacancies	Direct Vacancy Rate	Direct Average Rental
San Francisco CBD	A	40,616,366	106	3,329,074	8.2%	\$60.20
NOMA Financial District	A	19,886,115	52	1,697,570	8.5%	\$59.89
SOMA Financial District	A	20,730,251	54	1,631,504	7.9%	\$60.56
San Francisco Non-CBD	A	11,174,181	74	1,064,799	9.5%	\$51.42
Jackson Square	A	598,696	8	28,547	4.8%	\$48.25
North Waterfront	A	1,401,730	12	73,800	5.3%	\$48.89
East SOMA	A	2,047,371	13	122,589	6.0%	\$60.17
West SOMA	A	181,960	1	0	0.0%	N/A
The Presidio	A	833,255	4	63,831	7.7%	\$60.00
Union Square	A	580,952	9	22,209	3.8%	\$44.21
Van Ness Corridor	A	383,331	5	55,382	14.4%	\$42.00
Showplace Square/Potrero Hill	A	1,194,154	5	103,216	8.6%	\$50.00
Mission Bay	A	1,056,735	4	269,307	25.5%	\$59.12
Yerba Buena	A	1,435,199	6	159,009	11.1%	\$51.50
Civic Center/Mid-Market	A	1,460,798	7	166,909	11.4%	\$45.92
Total		51,790,547	180	4,393,873	8.5%	\$58.64

Class B Office	Class					
San Francisco CBD	B	6,901,777	62	648,594	9.4%	\$53.93
NOMA Financial District	B	4,608,853	33	427,209	9.3%	\$50.97
SOMA Financial District	B	2,292,924	29	221,385	9.7%	\$58.65
San Francisco Non-CBD	B	9,078,294	124	1,289,192	14.2%	\$52.10
Jackson Square	B	818,046	17	75,533	9.2%	\$49.43
North Waterfront	B	1,374,322	21	227,235	16.5%	\$45.76
East SOMA	B	1,075,963	17	73,383	6.8%	\$56.02
West SOMA	B	163,449	4	0	0.0%	N/A
The Presidio	B	197,372	4	0	0.0%	N/A
Union Square	B	1,389,131	23	61,754	4.4%	\$50.26
Van Ness Corridor	B	342,625	7	0	0.0%	N/A
Showplace Square/Potrero Hill	B	1,445,883	16	350,328	24.2%	\$54.69
Mission Bay	B	0	0	0	0.0%	N/A
Yerba Buena	B	832,991	9	111,365	13.4%	\$56.12
Civic Center/Mid-Market	B	1,438,512	6	389,594	27.1%	N/A
Total		15,980,071	186	1,937,786	12.1%	\$52.95

Class C Office	Class					
San Francisco CBD	C	2,330,683	44	191,602	8.2%	\$40.73
NOMA Financial District	C	1,358,367	24	34,356	2.5%	\$51.21
SOMA Financial District	C	972,316	20	157,246	16.2%	\$38.99
San Francisco Non-CBD	C	4,975,471	83	199,798	4.0%	\$40.35
Jackson Square	C	74,064	3	4,300	5.8%	N/A
North Waterfront	C	449,731	10	39,328	8.7%	\$39.71
East SOMA	C	1,123,451	18	5,829	0.5%	\$45.00
West SOMA	C	492,763	8	24,706	5.0%	\$36.60
The Presidio	C	0	0	0	0.0%	N/A
Union Square	C	1,203,906	20	20,715	1.7%	\$49.60
Van Ness Corridor	C	60,000	1	0	0.0%	N/A
Showplace Square/Potrero Hill	C	471,005	8	0	0.0%	N/A
Mission Bay	C	0	0	0	0.0%	N/A
Yerba Buena	C	840,193	10	89,686	10.7%	\$38.54
Civic Center/Mid-Market	C	260,358	5	15,234	5.9%	N/A
San Francisco Class C Total		7,306,154	127	391,400	5.4%	\$40.59

Source: Cushman & Wakefield First Quarter 2014

Market Summary - Industrial and Warehouse

The Bay Area has approximately 159 million square feet of warehouse rental space, which is divided into four primary regions listed below in order of inventory size, from largest to smallest:

1. East Bay I-80/880 Corridor has the majority of the warehouse rental space
2. Santa Clara County
3. San Mateo County and
4. San Francisco County

San Francisco represents approximately 12% of the total Bay Area warehouse rental space.

The San Francisco industrial market consists of three major submarkets:

- i. Mission/South of Market (SOMA)
- ii. 3rd Street Corridor/Potrero Hill and
- iii. Bayview/India Basin

The combined total building inventory for industrial use in these three zones is approximately 19.3 million square feet, more than three quarters of which is located in the Mission/SOMA and 3rd Street Corridor/Potrero Hill areas. (Source: Cassidy Turley 1Q 2014 Warehouse Market Bay Area)

The San Francisco-Bay Area industrial and warehouse market-wide vacancy rate stood at 7.96% at the end of the 1Q 2013 and dropped to 6.3% in 1Q 2014. Average asking rents vary by submarket from \$0.43 to \$0.80 per square foot per month, on gross (fully loaded) basis.

(Source: Cassidy Turley Bay Area Warehouse Report 1Q 2014 & Port of San Francisco Lease Activity April 1, 2013 to March 31, 2014, Exhibit B)

Industrial & Warehouse Rental Rate Per Square Foot

<u>SF Monthly</u>	<u>SF Annual</u>	<u>Port Monthly</u>	<u>Port Annual</u>
\$0.62	\$7.38	\$1.05	\$12.60

The majority of Port warehouses are categorized as Class C. The Port's industrial properties have various levels of improvements including partitions, fencing, electrical service, plumbing.

etc. These industrial/warehouse spaces are typically leased under "net" leases with space defined as "gross leasable area." The majority of these spaces lack loading docks, attached office space and non-permeable concrete floors, and they share a common drive aisle. Despite the limited infrastructure, the Port has been able to negotiate rental rates comparable to those of private landlords. This is due in large part to the close proximity of the Port's warehouse space to the City's financial and social center. During the previous twelve months, Port warehouse rates have averaged \$0.85 to \$1.25 per square foot (\$10.20 to \$15 annualized). These rates are higher than current comparable rental market conditions as discussed above. Despite limited infrastructure of Port warehouse properties, staff has been able to negotiate rates above the San Francisco Bay Area average. Demand for Port warehouse and industrial space has strengthened through 1Q 2014.

During the prior reporting period, 1Q 2013, the Port's industrial and warehouse vacancy was 0.3%. The Port's current warehouse vacancy rate has remained stable at 0.3% (excludes facilities in the America's Cup Host Venue Agreement).

San Francisco/Bay Area 1Q 2014 Warehouse Overview

Bay Area First Quarter 2014

	Inventory	Sublet Vacant	Direct Vacant	Vacancy Rate	Current Net Absorption	YTD Net Absorption	Under Construction	Average Asking Rent
Submarket								
SF County	20,345,162	83,072	1,052,939	6.6%	73,249	73,249	0	\$0.80
San Mateo County	40,788,361	432,769	2,676,588	6.5%	648,000	648,000	0	\$0.77
East Bay Oakland	74,175,132	1,047,110	4,933,902	5.0%	9,498	9,498	2,221,735	\$0.43
Santa Clara County	31,267,798	223,104	2,807,663	8.9%	4,605	4,605	0	\$0.62
TOTAL	166,576,453	1,786,065	11,471,092	6.3%	735,352	735,352	0	\$0.59

(Source: Cassidy Turley Bay Area Warehouse Report 1Q 2014)

Port Vacancy

The demand for space along the Port's waterfront is high. The Port's current office vacancy rate is 4.1% (excludes facilities in the 34th America's Cup Host & Venue Agreement). The Port's vacancy rate is lower than the citywide office vacancy rate of approximately 8.5%. The Port's industrial/warehouse is 1%.

Port Leasing Volume

In the period from April 1, 2013 to March 31, 2014, Port Real Estate staff executed 66 real property agreements totaling \$362,404 per month or \$4,348,848 annualized during the 12 month period. Office leases comprised 19 agreements, industrial/warehouse agreements comprised 33 agreements, land agreements comprised 13 agreements, and 1 lease constituted a retail agreement.

Monthly Rental Rate Schedule

The proposed Rental Rate Schedule is presented for Port Commission review and consideration. The Rental Rate Schedule is organized first by type of use and lease type (full vs

net) and second by property/geographical location. For each property, the Rental Rate Schedule provides a range of rents on a gross basis and a net effective basis. The gross basis, entitled *Minimum Initial Lease Rental Rates*, represents the market rent range for the first year of the lease. The net effective basis, entitled *Minimum Net Effective Rental Rates*, represents the net effective rent calculated and applied over the lease term after rent credits for flooring and wall coverings are amortized over the term of the lease. The Port Commission has previously approved application of rent credits for flooring and wall coverings. Port staff has the authority to issue tenant improvement allowances for floor and wall coverings if those credits do not result in the net rent over the term of the lease to be below the Minimum Net Effective Rental Rates found in the Rental Rate Schedule. For example, for office space at the Roundhouse Plaza in the northern waterfront, the proposed Minimum Initial Lease Rental Rate range is \$2.75-3.25 per square foot, per month and the proposed Minimum Net Effective Rental Rate range is \$2.50-3.00 per square foot per month. Allowances for paint (set by the Port Commission in June 2010) may be made up to a maximum of \$3.50 per square foot. Allowances for floor covering, up to a maximum of \$5.00 per square foot (approved July 2012), are allowable when: 1) new paint and/or floor covering is necessary in order to lease space in full service office buildings; and 2) Port staff is unable to perform such work prior to the proposed lease commencement date. These allowances are considered "landlord's work"; therefore such work is not included in calculating the minimum Initial Lease Rental Rates.

The proposed Rental Rate Schedule for Fiscal Year 2014-15 lists out all commercial properties and their associated Minimum Initial Rental Rates and Net Effective Rental Rates. It is attached hereto as Exhibit A. The Rental Rate Schedule is a minimum rental schedule and gives Port staff authority to negotiate higher rates or the flexibility to quote rates in the mid-range or lower range of the Rental Rate Schedule when justified, for properties that may be physically sub-standard or oddly configured.

Port leases are annually indexed by either the Consumer Price Index (CPI) or fixed rate adjustments currently ranging from 2.5% to 3.5%. Most of the Port's leases provide for a "mark to market" adjustment on an extension or option date. Most also provide for a "mark to market" adjustment upon expiration if they go to month-to-month holdover status while a new lease or a termination is negotiated.

Proposed Changes to Rental Rate Schedule for Fiscal Year 2014-15

Given Port staff's market research, the Port's own leasing experience and the overview by KMA, Port staff recommends adjustment of the minimum rental rates for certain Port properties to better reflect current market conditions. Port staff proposes changes to the current Rental Rate Schedule for certain office and industrial shed space as follows.

1. The following office properties are currently in high demand and are experiencing limited vacancy rates. Staff recommends revising minimum monthly rents for these locations in recognition of demand and limited vacancy at these locations.

Office Class B Gross Leases

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Roundhouse Plaza	\$2.50	\$3.25

As illustrated in the previous table titled "San Francisco SubOffice Markets" above prepared by Cushman & Wakefield, equivalent gross lease class B office rates in the adjacent area to the Roundhouse Facility are:

Class B San Francisco Non-CBD Gross Lease	B	Monthly Average \$4.34	Annual average \$52.10
Jackson Square	B	\$4.12	\$49.43
North Waterfront	B	\$3.81	\$45.76

Office Class B Net Leases

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 9 Bulkhead Bldg.	\$3.00	\$3.25
b)	Pier 9 office	\$2.75	\$3.00
c)	Pier 26 Annex Bldg.	\$2.75	\$3.00
d)	Pier 33 ½ North	\$2.50	\$3.00
e)	Pier 33 Bulkhead Bldg.*	\$0.00	\$2.50

*new rate representing the facility's upgrade and reactivation

On average, net lease rates are \$1.25 per square foot per month less than equivalent gross leases. Cushman & Wakefield's adjusted net lease rates for Class B office space in the same geographic area are:

Class B San Francisco Non-CBD Net Lease	B	Monthly Average \$3.09	Annual average \$37.10
Jackson Square	B	2.87	\$34.44
North Waterfront	B	2.56	\$30.72

Office Class C Net

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 9 Studio/office	\$2.25	\$2.50
b)	Pier 29 Annex Bldg.	\$2.50	\$3.00
c)	490 Jefferson Street	\$1.75	\$2.25
d)	Pier 50 Bulkhead Bldg.	\$2.00	\$2.25

On average, net lease rates are \$1.25 per square foot per month less than equivalent gross leases. Cushman & Wakefield's adjusted net lease rates for Class B office space in the same geographic area are:

Class C San Francisco Non-CBD Lease	C	Monthly Average	Annual average
North Waterfront - Net	C	\$2.06	\$24.71

2. As illustrated above, Cassidy Turley reported industrial/warehouse rates for 1Q 2014 in San Francisco as \$0.80 per square foot per month. Because of increased demand on these properties, Port staff recommends revising minimum monthly rents for the following Port industrial/warehouse locations:

Pier Shed and Land:

Northeast Waterfront

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 33-35	\$0.95	\$1.00
b)	SWL 302	\$0.75	\$1.00
c)	Pier 24	\$2.50	\$3.00

South Beach/China Basin

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 26-28	\$0.95	\$1.00

However, Port staff recommends one reduction in minimum rent based on further investigation of the attributes of Pier 54 in the South Beach/China Basin sector of the portfolio. Pier 54 is a compromised pier in that its state of disrepair has reduced its remaining useful life and prohibits the Port from executing leases with longer terms. Additionally, the compromised integrity of the pier necessitates vehicle load limitations. Both of these issues create downward pressure on Pier 54's market value and limit staff's ability to command higher rental rates. Staff believes that the prior rental rate of \$1.25 per square foot was too aggressive and recommends a lower rate of \$0.70 per square foot.

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 54	\$1.25	\$0.70

Southern Waterfront

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	SWLs 343 & 354	\$0.85	\$0.90
b)	SWL 345	\$0.85	\$0.90
c)	Pier 92 & SWLs 344 & 349	\$0.85	\$0.90

Open Land and Pier Uses

Port staff also recommend amendment to certain unpaved and paved land lease rates. Staff believes that the prior rental rates shown below were too aggressive and recommends lower rates due to competition from Oakland and South San Francisco with rental rates for unpaved and paved land at \$0.10 and \$0.16 respectively.

Industrial Gross Leases

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Unpaved Land	\$0.30	\$0.28
b)	Paved Land	\$0.35	\$0.30

3. The rental rates at Pier 45 Fish Processing Center were last adjusted in 2013. Port staff recommends adjustments in the following rate categories to better reflect current market conditions in the fishing industry.

Fishing Industry Pier Shed and Land

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 45 Sheds	\$0.85	\$0.95
b)	Non-Berth Holders	\$0.45	\$0.60
c)	Aprons	\$0.24	\$0.25
d)	Fish Gear Storage Non-Berth Holders	\$0.55	\$0.60

(Research sources: Port of San Francisco, Santa Cruz Harbor, Pilar Point Harbor, Spud Point Harbor, Morro Bay Harbor, Crescent City Harbor 2014)

Telecommunications Leases

The Port may enter into leases for telecommunication sites (wireless cellular sites) for up to nine years without Port Commission approval (Resolution No. 96-123). The Port Commission's initial approved rate was \$1,600 per month. The current rate has increased 19% per year or 350% over the initial rate. Based on recent transactions, Port staff is recommending a minimum rental rate of \$5,700.00 per month for each fixed site and \$380.00 per day for temporary sites for up to sixty-days.

Parking

The Port operates a number of parking facilities where the Port leases individual parking stalls on a monthly basis totaling 374 stalls (an increase of 60 stalls over the same period last year) with annual revenues of \$592,354 for the 12 month period from April 1, 2013 to March 31, 2014, as compared to the same period in the prior year of \$489,342, an increase of approximately 21%. The majority of the stall holders are Port tenants. A map is attached as Exhibit F1 that shows the location of those facilities at which the Port currently offers monthly parking.

The Port Commission approved the Fiscal Year 2013-14 Monthly Parking Stall Rate Schedule as part of its approval in July 2013 of the Rental Rate Schedule. Since last year's parking stall rate review, the parking market has experienced improvement. Port staff recently conducted a survey of comparable parking facilities in the vicinity of Port property where the Port rents monthly parking stalls, attached hereto as Exhibit F2. The survey determined that the monthly parking stall rates for Port facilities are generally in-line with current market rates. However there are some parking locations where staff proposes increasing parking rates to better reflect current market conditions. Please note that the parking rates in this report do not include any City parking tax, currently 25%, which is paid by the stall holder and remitted to the City Tax Collector.

Proposed Changes to FY 2014-15 Monthly Parking Rate Schedule

Site	Parking Type	Current Rate		Proposed Rate		Increase (Tax Included)
		Rent	Rent & Tax	Rent	Rent & Tax	
Agriculture Bldg.	Building Tenant	\$320	\$400	\$328	\$410	\$10
Pier 9	Shed	\$280	\$350	\$288	\$360	\$10
Seawall Lot 302	Commercial Tenant	\$268	\$335	\$268	\$335	\$0
	Restaurant Tenant	\$164	\$205	\$164	\$205	\$0
Seawall Lot 303	Commercial Tenant	\$256	\$320	\$256	\$320	\$0
	Restaurant Tenant	\$164	\$205	\$164	\$205	\$0
Pier 28	Shed	\$280	\$350	\$280	\$350	\$0
Pier 80	Admin Bldg., Uncovered	\$32	\$40	\$32	\$40	\$0
	Truck	\$124	\$155	\$128	\$160	\$5
Pier 90	Truck	\$126.4	\$158	\$130.4	\$163	\$5
Pier 94	Truck	\$124	\$155	\$128	\$160	\$5
Pier 96	Truck	\$124	\$155	\$128	\$160	\$5

The Port makes available parking stalls, at cost, for its employees' vehicles. The parking lot operator at SWL 324 (Broadway lot) is required to provide 40 parking spaces at SWL 324 for Port employees at no cost to the Port. The Port has converted 25 underutilized metered spaces on Davis Street for Port employee parking.

Proposed Port Employees Monthly Parking Rate for FY 2014-15

Facility	For	Current Rate		Proposed Rate		Increase (Tax Included)
		Rent	Rent & Tax	Rent	Rent & Tax	
Seawall Lot 351	Port Commissioner, Executive Director	\$140	\$175	\$140	\$175	\$0
	Employees who have been granted a reasonable accommodation under the Americans with Disabilities Act	\$60.8*	\$76*	\$62.4*	\$78*	\$2
Seawall Lot 324	Employees assigned to Pier 1; parking available for one employee vehicle used for commuting	\$60.8*	\$76*	\$62.4*	\$78*	\$2
Pier 50 or at jobsite	Employees assigned to Pier 50 or whose collective bargaining agreement allows for free parking; one automobile space for vehicle	\$0	\$0	\$0	\$0	\$0

Facility	For	Current Rate		Proposed Rate		Increase (Tax Included)
		Rent	Rent & Tax	Rent	Rent & Tax	
	used by the employee for commuting (no boats, trailers, three-axle vehicles, etc.)					

**As per City policy, the rate is equivalent to the cost of a MUNI monthly pass plus \$10. It will be adjusted correspondingly to future MUNI monthly pass increases. Current cost of MUNI monthly pass is \$66. The MUNI monthly pass will be increased to \$68.00, effective September 1, 2014.*

Parking, Color Curb Program

The Port has a long-standing policy of charging for parking, including curb zones, throughout the waterfront. Due to the emerging neighborhoods in the Southern Waterfront, the Port established guidelines and pricing for colored curbs in the Southern Waterfront. Color Curb Zones in the Northern Waterfront and in front of the Ferry Building were established some time ago and continue to be reviewed by the Port on a case-by-case basis. Tenants and non-tenants whose sidewalks/curbs abut Port property may make a request to have a color zone curb designated, following the color curb guidelines established by the Port Harbor Code.

The Port's methodology for determining the fee for curb zones has been to charge a monthly fee which is equivalent to a rate that the Port would otherwise expect to receive from paid parking had the equivalent curb zone been metered. The proposed curb rates represent amounts which are lower than a fully metered space with the expectation that the Port will collect some additional metered revenues from after hours and special event usage.

Parking, White Zone

As per City practice, White Zones are for passenger loading and unloading with a time limit of 5 minutes. The effective time that the white zone is in effect may vary and the Port may meter such zones for metered parking when white zones are not in use. For example, meter rates may apply on evenings and weekends when offices are closed and special events are scheduled. Posted signs and sidewalk stencils are used to indicate flex times.

Size of zone	Application fee	Set up fee	Monthly Fee	Additional zone
1-22 feet	\$0	\$359	\$265	\$265/mo.

Meter charges during flex time will be priced at standard meter rates for the surrounding area and will be posted accordingly.

Parking, Yellow Zones

Yellow zones are for active 30 minute freight loading and unloading only by commercial vehicles. Yellow zones are NOT intended for long-term parking of vehicles with commercial license plates. The effective times of yellow zones vary and are indicated by signs on the meter and/or by stencils on the curb. All Yellow Zones will be metered and charged at standard meter rates for the surrounding area and will be posted accordingly.

Size of zone	Application fee	Set up fee	Monthly Fee	Additional zone
20-44 ft.	\$0	\$359	\$0	\$0

Special Events and Filming

Special events and filming generated a combined total of \$70,419 in revenues to the Port over the past 12 months (April 2013 to March 2014). Of this amount, special events generated \$68,621 and filming \$1,798. Much of the film permitting is done by the Film Commission and those fees are retained by the Film Commission.

The Port's 7½ miles of waterfront property is a popular venue for special events and filming projects produced each year in the City. Among the most notable special events are *Fleet Week*, *4th of July Celebration and Fireworks*, *Sunday Streets*, *New Year's Eve*, *Giant's Fanfest* and *the Nike Women's Marathon*.

Additionally, a number of major motion pictures and television series have been produced on Port property including the episodic television series produced by HBO, *Looking* and the *Netflix show Series 8*.

The Port is also very popular with advertisers that account for the majority of still photo shoots that occur at the Port. From elegant fashion and auto ads located at Pier 7 to the more urban industrial projects shot in the Southern Waterfront, the Port offers a variety of locations sought after by creative photographers.

In order to standardize film and photography related fees charged for various Port facilities, Port staff has established a Special Event and Filming Fee Schedule. The schedule is reviewed annually to reflect current market conditions and submitted to the Port Commission for re-approval.

There are several recurring Special Events/Uses that have a strong maritime or community connection to the Port of San Francisco and have customarily been given either a fee waiver or fee reduction by the Port Commission on an ad hoc basis. In order to streamline the administrative process and costs associated with preparing individual Port Commission Agenda Items for each event, the Port Commission typically approves the recommended fees for these events as part of its approval of the Rental Rate Schedule:

1. Proposed Fee Waiver: *4th of July Celebration*; *Fleet Week*; *City's New Year's Eve Celebration* and *Madonna Del Lume*.
2. Ongoing Fee Reductions: *Small Boat Fishing Gear Swap Meet*, \$300 versus \$2,000; and *Delancey Street Christmas Tree Lot*, \$3,528 versus \$7,055.

The methodology for deriving the fees described in the Special Events and Filming Fee Schedule is a combination of market research, continuous dialog with special events promoters and the Port's own experience at negotiating fees.

The James R. Herman Cruise Terminal, upon opening this Fall, will also be a special event venue. However, its rental rates will be set by the Port's operator, Metro in concert with their partner, Hartmann Studios.

Proposed FY 2013-14 Special Event And Filming Rate Schedule

Port staff recommends no changes to the FY 2014-15 Special Event and Filming Rate Schedule, which is listed on Exhibit C. The Port's current Special Event and Filming Rates are

higher than all other City Departments and the majority of events are for local chapters of fund raising charities.

Next Steps

Port staff present the proposed Rental Rate Schedule for FY 2014-15 (Exhibit A) for review, comment and consideration by the Port Commission and the public. Port staff will incorporate any additional comments/considerations into the proposed Rental Rate Schedule. Port staff proposes to seek Port Commission approval of the Rental Rate Schedule for FY 2014-15 at the Port Commission's June 10, 2014 meeting.

Prepared by: Jeffrey A. Bauer, Senior Leasing Manager

For: Susan Reynolds, Director of Real Estate

ATTACHMENTS:

Exhibit A	<i>Proposed</i> 2014-2015 Minimum Monthly Rental Rate Schedule
Exhibit B	2013-2014 Minimum Monthly Rental Rate Schedule
Exhibit C	2014-2015 Special Events and Filming Fee Schedule
Exhibit D	Bibliography of Market Research Sources
Exhibit E	Office, Bulkhead Office and Pier Shed Vacancy Rate
Exhibit F1	Parking Facilities Located in the Vicinity
Exhibit F2	Parking Facilities Located in the Vicinity
Exhibit G	Keyser Marston Memorandum 2014
Exhibit H	Port Leasing Policies
Exhibit I	Port Active Office and Warehouse Rental Transactions

EXHIBIT A

2014-15 MINIMUM MONTHLY RENTAL RATE SCHEDULE*

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>CLASS & LOCATION OF FACILITY/SPACE</u>	<u>MINIMUM INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.</u>	<u>MINIMUM NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*</u>
<u>OFFICE SPACE USES:</u>			
<u>FULL SERVICE GROSS LEASES:</u>	<u>CLASS B</u>		
	Roundhouse Plaza	\$3.25 - \$3.75	\$3.00 - \$3.50
	<u>CLASS C</u>		
	Agriculture Building		
	Window Office	\$2.40 - \$2.60	\$2.20 - \$2.40
	Interior Office	\$1.50 - \$2.00	\$0.98 - \$1.48
	401 Terry Francois	\$2.60 - \$2.75	\$2.40 - \$2.50
<u>NET LEASES:</u>			
	<u>CLASS B</u>		
	Pier 9 Bulkhead Bldg.	\$3.20 - \$3.50	\$2.75 - \$3.30
	Pier 9 Pier Offices	\$3.00 - \$3.25	\$2.50 - \$2.75
	Pier 26 Annex Bldg.	\$2.75 - \$3.25	\$2.50 - \$3.00
	Pier 33 ½ North	\$3.00 - \$3.25	\$2.25 - \$2.75
	Pier 33 Bulkhead Bldg.	\$2.50 - \$2.75	\$2.25 - \$2.50
	Pier 35 Bulkhead Bldg.	\$2.50 - \$2.75	\$1.75 - \$2.25
	<u>CLASS C</u>		
	Pier 9 Studio/office	\$2.50 - \$2.75	\$2.25 - \$2.50
	Piers 23 Bulkhead Bldgs.	\$2.00 - \$2.25	\$2.00 - \$2.25
	Pier 29 Annex Bldg.	\$3.00 - \$3.50	\$2.75 - \$3.25
	Pier 35 Interior office	\$2.00 - \$2.25	\$1.50 - \$1.75
	490 Jefferson St.	\$2.00 - \$2.25	\$1.10 - \$1.75
	Piers 26 Bulkhead Bldg.	\$2.00 - \$2.25	\$1.75 - \$1.50
	Pier 28 Bulkhead Bldg.	\$2.00 - \$2.25	\$1.75 - \$2.00
	Piers 50 Bulkhead Bldg.	\$2.25 - \$2.50	\$2.00 - \$2.25
	Pier 54 Office	\$1.60 - \$1.75	\$1.40 - \$1.50
	Pier 70, Building 11	\$1.10 - \$1.25	\$1.00 - \$1.20
	671 Illinois Street	\$1.00 - \$1.10	\$0.80 - \$1.00
	501 Cesar Chavez	\$1.25 - \$1.50	\$1.10 - \$1.25
	601 Cesar Chavez	\$1.50 - \$1.50	\$1.50 - \$1.50
	696 Amador	\$1.25 - \$1.50	\$1.00 - \$1.40
	Pier 96 Admin. Bldg.	\$1.25 - \$1.40	\$1.00 - \$1.25
	Pier 96 Gate House Bldg.	\$1.10 - \$1.25	\$0.75 - \$1.00
<u>OFFICE STORAGE</u>			
	All Facilities	\$1.50 - \$1.50	\$1.50 - \$1.50

EXHIBIT A

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>MINIMUM CLASS & LOCATION OF FACILITY/SPACE</u>	<u>MINIMUM INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.</u>	<u>NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*</u>
<u>INDUSTRIAL SHED USES:</u>			
<u>INDUSTRIAL GROSS LEASES:</u>	<u>NORTHEAST WATERFRONT</u>		
	Pier 9	\$1.35 - \$1.50	\$1.25 - \$1.25
	Pier 33, 35, 45	\$1.00 - \$1.25	\$0.85 - \$0.95
	Pier 19	\$1.25 - \$1.25	\$1.25 - \$1.25
	Pier 23	\$1.25 - \$1.25	\$1.25 - \$1.25
	Pier 29	\$1.25 - \$1.50	\$1.25 - \$1.25
	Pier 47 shed storage	\$0.75 - \$1.00	\$0.70 - \$0.90
	SWL 302 storage	\$1.00 - \$1.25	\$0.75 - \$1.00
	<u>SOUTH BEACH/CHINA BASIN</u>		
	Pier 24 Annex	\$3.00 - \$3.25	\$3.00 - \$3.25
	Piers 26-28-	\$1.00 - \$1.25	\$0.95 - \$1.00
	Pier 40	\$1.00 - \$1.25	\$1.00 - \$1.25
	Piers 48	\$1.25 - \$1.25	\$1.25 - \$1.25
	Pier 50	\$1.25 - \$1.25	\$1.25 - \$1.25
	Pier 54 Shed	\$0.70 - \$0.70	\$0.70 - \$0.70
	<u>SOUTHERN WATERFRONT</u>		
	SWLs 343 & 354	\$0.90 - \$1.00	\$0.80 - \$0.85
	SWL 345	\$0.90 - \$1.00	\$0.85 - \$1.00
	699 Illinois	\$0.85 - \$1.25	
	Facility 6019	\$0.55 - \$0.55	\$0.55 - \$0.55
	Pier 80	\$0.95 - \$0.95	\$0.95 - \$0.95
	Pier 92 & SWLs 344 & 349	\$0.90 - \$0.90	\$0.85 - \$0.85
	Pier 96 M & R	\$0.90 - 0.95	\$0.80 - \$0.75
<u>OPEN LAND AND PIER SPACE USES:</u>			
<u>INDUSTRIAL GROSS LEASES:</u>	<u>UNPAVED LAND</u>		
"PORT STANDARD NET LEASE"		\$0.28 - 0.30	\$0.25 - \$0.30
	<u>PAVED LAND</u>		
		\$0.30 - 0.35	\$0.30 - \$0.35
	<u>IMPROVED LAND</u>		
		\$0.40 - 0.40	\$0.35 - \$0.40
	<u>SUBMERGED LAND</u>		
		\$0.16 - \$0.16	\$0.16 - \$0.16
	Aprons	\$0.35 - \$0.35	\$0.35 - \$0.35

EXHIBIT A

MINIMUM

MINIMUM

TYPE OF USE & TYPE OF LEASE

CLASS & LOCATION OF FACILITY/SPACE

INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.

NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*

FISHING INDUSTRY USES:

INDUSTRIAL GROSS LEASES:

FISH WHOLESALING & PROCESSING SPACE

Improved Fish Processing Space

Pier 45 Sheds	\$0.95 - \$1.00	\$0.95 - \$1.00
Second floor warehouse	\$0.45 - \$0.50	\$0.45 - \$0.50
Pier 45 Office 1st fl office	\$1.10 - \$1.50	\$1.10 - \$1.50
Pier 45 2 nd fl mezz	\$0.85 - \$1.25	\$0.85 - \$1.25

Sheds

Pier 33	\$0.90 - \$0.95	\$0.90 - \$0.95
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Aprons

\$0.25 - \$0.25	\$0.25 - \$0.25
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LICENSES:

FISHING GEAR STORAGE NON-BERTH HOLDERS

\$0.30 - \$0.40	\$0.30 - \$0.40
\$0.60- \$0.65	\$0.60- \$0.65

* The range in rental rates is provided as an example of the minimum rental rates for different space in the building (ie. higher rates for higher floors). It is not, and should not be construed as, a cap or maximum rental rate for such space.

* Minimum Net Effective Rents are rents that reflect the application of rent credits for new paint and carpet. The Minimum Net Effective Rates reflect the amortization of rent credits provided by Port over the term of the lease.

EXHIBIT B

2013-14 MINIMUM MONTHLY RENTAL RATE SCHEDULE*

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>CLASS & LOCATION OF FACILITY/SPACE</u>	<u>MINIMUM INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.</u>	<u>MINIMUM NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*</u>
<u>OFFICE SPACE USES:</u>			
<u>FULL SERVICE GROSS LEASES:</u>	<u>CLASS B</u>		
	Roundhouse Plaza	\$2.50 - \$3.00	\$2.00 - \$2.50
	<u>CLASS C</u>		
	Agriculture Building		
	Window Office	\$2.30 - \$2.55	\$2.20 - \$2.35
	Interior Office	\$1.50 - \$2.00	\$0.98 - \$1.48
	401 Terry Francois	\$2.50 - \$2.70	\$2.20 - \$2.50
<u>NET LEASES:</u>			
	<u>CLASS B</u>		
	Pier 9 Bulkhead Bldg.	\$3.00 - \$3.20	\$2.75 - \$3.30
	Pier 9 Pier Offices	\$2.75 - \$3.00	\$2.50 - \$2.75
	Pier 26 Annex Bldg.	\$2.75 - \$3.00	\$2.50 - \$2.75
	Pier 33 ½ North	\$2.50 - \$3.00	\$2.25 - \$2.75
	Pier 35 Bulkhead Bldg.	\$2.50 - \$2.75	\$1.75 - \$2.25
	<u>CLASS C</u>		
	Pier 9 Studio/office	\$2.25 - \$2.50	\$2.25 - \$2.50
	Piers 23 Bulkhead Bldgs.	\$2.00 - \$2.25	\$2.00 - \$2.25
	Pier 29 Annex Bldg.	\$2.50 - \$3.00	\$2.25 - \$2.75
	Pier 35 Interior office	\$1.75 - \$2.00	\$1.50 - \$1.75
	490 Jefferson St.	\$1.75 - \$2.00	\$1.10 - \$1.75
	Piers 26 Bulkhead Bldg.	\$2.00 - \$2.25	\$1.75 - \$1.50
	Pier 28 Bulkhead Bldg.	\$2.00 - \$2.25	\$1.25 - \$1.75
	Piers 50 Bulkhead Bldg.	\$2.00 - \$2.25	\$1.55 - \$1.75
	Pier 54 Office	\$1.60 - \$1.75	\$1.20 - \$1.40
	Pier 70, Building 11	\$1.10 - \$1.25	\$1.00 - \$1.20
	671 Illinois Street	\$1.00 - \$1.10	\$0.80 - \$1.00
	501 Cesar Chavez	\$1.25 - \$1.50	\$1.10 - \$1.25
	601 Cesar Chavez	\$1.50 - \$1.50	\$1.50 - \$1.50
	696 Amador	\$1.25 - \$1.50	\$1.00 - \$1.40
	Pier 96 Admin. Bldg.	\$1.25 - \$1.40	\$1.00 - \$1.25
	Pier 96 Gate House Bldg.	\$1.10 - \$1.25	\$0.75 - \$1.00
<u>OFFICE STORAGE</u>	All Facilities	\$1.50 - \$1.50	\$1.50 - \$1.50

EXHIBIT B

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>MINIMUM CLASS & LOCATION OF FACILITY/SPACE</u>	<u>MINIMUM INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.</u>	<u>NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*</u>
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INDUSTRIAL SHED USES:

INDUSTRIAL GROSS LEASES:

NORTHEAST WATERFRONT

Pier 9	\$1.35	-	\$1.50	\$1.25	-	\$1.25
Pier 33 - 35	\$0.95		\$1.00	\$0.85	-	\$0.95
Pier 19	\$1.25	-	\$1.25	\$1.25	-	\$1.25
Pier 23	\$1.25	-	\$1.25	\$1.25	-	\$1.25
Pier 29	\$1.25		\$1.50	\$1.25		\$1.25
Pier 47 shed storage	\$0.75	-	1.00	\$0.70	-	\$0.90
SWL 302 storage	\$0.75	-	1.00	\$0.65	-	\$0.75

SOUTH BEACH/CHINA BASIN

Pier 24 Annex	\$2.50		\$3.00	\$2.50		\$3.00
Piers 26-28-	\$0.95		\$1.00	\$0.95	-	\$1.00
Pier 40	\$1.00		\$1.25	\$1.00		\$1.25
Piers 48	\$1.25	-	\$1.25	\$1.25	-	\$1.25
Pier 50	\$1.25	-	\$1.25	\$1.25	-	\$1.25
Pier 54 Shed	\$1.25	-	\$1.25	\$1.25	-	\$1.25

SOUTHERN WATERFRONT

SWLs 343 & 354	\$0.85	-	\$0.85	\$0.80		\$0.85
SWL 345	\$0.85	-	\$1.00	\$0.85	-	\$1.00
Facility 6019	\$0.55	-	\$0.55	\$0.55	-	\$0.55
Pier 80	\$0.95	-	\$0.95	\$0.95		\$0.95
Pier 92 & SWLs 344 & 349	\$0.85	-	\$0.85	\$0.85		\$0.85
Pier 96 M & R	\$0.90	-	0.95	\$0.80		\$0.75

OPEN LAND AND PIER SPACE USES:

INDUSTRIAL GROSS LEASES: "PORT STANDARD NET LEASE"

UNPAVED LAND

\$0.30	-	0.30	\$0.25	-	\$0.30
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PAVED LAND

\$0.35	-	0.35	\$0.30	-	\$0.35
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IMPROVED LAND

\$0.40	-	0.40	\$0.35	-	\$0.40
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SUBMERGED LAND

Aprons	\$0.35		\$0.35	\$0.30	-	\$0.35
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EXHIBIT B

MINIMUM TYPE OF USE & TYPE OF LEASE	MINIMUM CLASS & LOCATION OF FACILITY/SPACE	INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.	NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*
<u>FISHING INDUSTRY USES:</u>			
<u>INDUSTRIAL GROSS LEASES:</u>	<u>FISH WHOLESALING & PROCESSING SPACE</u>		
	<u>Improved Fish Processing Space</u>		
	Pier 45 Sheds	\$0.85 - \$0.95	\$0.80 - \$0.85
	Second floor warehouse	\$0.40 - \$0.45	\$0.35 - \$0.40
	Pier 45 Office 1st fl office	\$1.10 - \$1.50	\$1.05 - \$1.25
	Pier 45 2 nd fl mezz	\$0.85 - \$1.25	\$0.75 - \$1.00
	<u>Sheds</u>		
	Pier 33	\$0.85 - \$0.90	\$0.80 - \$0.85
	699 Illinois	\$0.80 - \$1.25	\$0.75 - \$0.85
	<u>Aprons</u>	\$0.24 - \$0.24	\$0.24 - \$0.24
<u>LICENSES:</u>	<u>FISHING GEAR STORAGE NON-BERTH HOLDERS</u>	\$0.30 - \$0.40 \$0.50- \$0.55	\$0.30 - \$0.40 \$0.50- \$0.55

* The range in rental rates is provided as an example of the minimum rental rates for different space in the building (ie. higher rates for higher floors). It is not, and should not be construed as, a cap or maximum rental rate for such space.

* Minimum Net Effective Rents are rents that reflect the application of rent credits for new paint and carpet. The Minimum Net Effective Rates reflect the amortization of rent credits provided by Port over the term of the lease.

EXHIBIT C

2014-15 FY Special Events and Filming Fee Schedule

Rate

Still Photo Shoot

Outdoor:

Simple per day	\$1,000.00
Major per day	\$2,000.00

Indoor:

Piers simple per day	\$1,000.00
Piers major per day	\$2,000.00
Pier 1 per day (Port offices - after hrs.)	\$2,000.00
Pier 1 – Bayside 1-4	\$2,000.00

Filming (Non-Film Commission)

Simple per day	\$1,000.00
Major per day	\$2,000.00

Special Events

Athletic events (walk/run/bicycle) per day	\$1,000.00
Private event per day	\$2,000.00
Public event per day	\$2,000.00

Pier 30/32 – Entire Pier

Private event:

Event day	\$15,000.00
Set-up per day	\$3,500.00
Paid attendees:	
Event day	\$20,00.00
Set-up per day	\$4,000.00

Free admittance:

Event day	\$10,000.00
Set-up per day	\$2,500.00

Pier 48 – Shed A & C

Shed A Full Venue per day	\$10,000.00
Set-up and take down	\$2,500.00

Shed A Half Venue	\$5,000.00
Set-up and take -down	\$ 1,000.00
Shed A Quarter Shed	\$3,000.00
Set-up and take-down	\$1,000.00
Shed A and Valle Full Venue	\$9,000.00
Set-up and take-down per day	\$1,500.00
Shed A and Valley Haft Venue	\$6,000.00
Set-up and take-down	\$1,000.00
Shed A and Valley Quarter	\$4,000.00
Set-up and take-down	\$1,000.00

All rates are daily.

Notes:

Minor film and photo shoots are those that require very few to no support functions, i.e.; the photographer and the subject, minimal equipment, etc.

Major film and photo shoots are those that require substantial support, i.e.; film crew, props, vehicles, generators, lighting, etc.

At no time shall the fee charged for filming or a special event at a specific facility be less than the rental rate as specified under the Rental Rate Schedule for that premises.

EXHIBIT D: BIBLIOGRAPHY

In researching market conditions and rates, Port staff employed the following sources of information:

Unemployment Rate: *Federal Reserve Bank, May 2014*

Office Market Summary:

1. Cushman & Wakefield First Quarter Office Report 2014
2. 2014 Q1 San Francisco Office Report Colliers International
3. 2014 Q1 Cornish & Carey Commercial San Francisco Office
4. 2014 Q1 Tri Commercial Real Estate San Francisco Office
5. 2014 Q1 Kidder Mathews San Francisco Office
6. Port of San Francisco Lease Activity April 1, 2013 to March 31, 2014

Industrial Market Summary:

1. Cassidy Turley 1Q 2014 Warehouse Market Bay Area

Fishing Industry Pier Shed and Land:

1. Port of San Francisco
2. Santa Cruz Harbor
3. Pillar Point Harbor
4. Spud Point Harbor
5. Morro Bay Harbor
6. Crescent City Harbor 2014

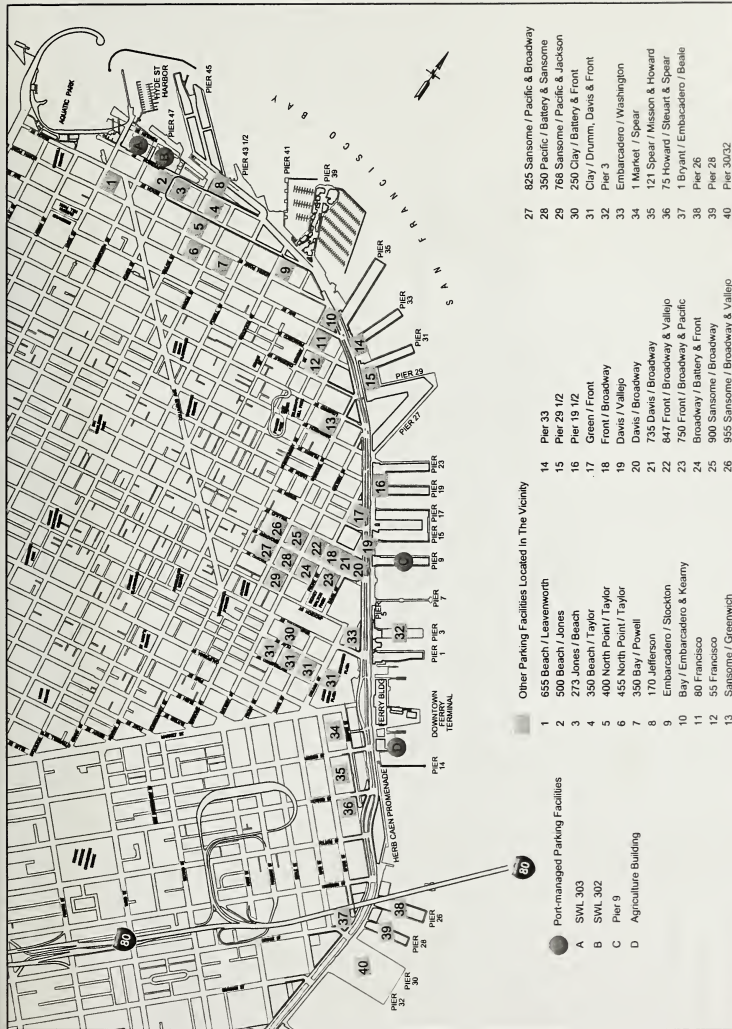
Parking:

1. Parking Facilities Located in the Vicinity & Parking Facilities Located in the Vicinity

Office, Bulkhead Office and Pier Shed Vacancy Rate

Exhibit E

OFFICE	As of April 28, 2014				As of Mar 2013				As of Dec 2013			
	Total	Occupied	Available	% Vacant	Total	Occupied	Available	% Vacant	Total	Occupied	Available	% Vacant
Roundhouse I	20,237	20,237	0	0.0%	20,237	20,237	0	0.0%	20,237	20,237	0	0.0%
Roundhouse II	25,421	25,421	0	0.0%	25,421	25,421	0	0.0%	25,421	25,421	0	0.0%
Pier 27/29 ³	12,406	12,406	0	0.0%	12,406	12,406	0	0.0%	12,406	12,406	0	0.0%
Aq Building	22,476	22,476	0	0.0%	22,476	22,476	0	0.0%	22,476	22,476	0	0.0%
401 Terry Francois	10,764	10,764	0	0.0%	10,764	10,764	0	0.0%	10,764	10,764	0	0.0%
501 Cesar Chavez	40,090	33,090	7,000	17.5%	40,090	23,090	17,000	42.4%	40,090	23,090	17,000	42.4%
Pier 70 Bldg 11	23,154	23,154	0	0.0%	23,154	23,154	0	0.0%	23,154	23,154	0	0.0%
Pier 96	15,342	15,342	3,000	16.2%	15,342	15,342	3,000	16.2%	15,342	15,342	3,000	16.2%
Total Office	175,090	165,090	10,000	5.7%	175,090	155,090	20,000	11.4%	175,090	155,090	20,000	11.4%
BULKHEAD OFFICE												
Pier 9	72,000	72,000	0	0.0%	72,000	72,000	0	0.0%	72,000	72,000	0	0.0%
Pier 15 ⁴	4,084	4,084	0	0.0%	4,084	4,084	0	0.0%	4,084	4,084	0	0.0%
Pier 17 ⁴	2,774	2,774	0	0.0%	2,774	2,774	0	0.0%	2,774	2,774	0	0.0%
Pier 23 ^{1,3}	12,300	12,300	0	0.0%	12,300	12,300	0	0.0%	12,300	12,300	0	0.0%
Pier 26 ³	18,433	18,433	0	0.0%	18,433	18,433	0	0.0%	18,433	18,433	0	0.0%
Pier 28 ³	6,187	6,187	0	0.0%	6,187	6,187	0	0.0%	6,187	6,187	0	0.0%
Pier 35	7,994	7,994	2,800	80.0%	7,994	2,800	5,194	89.0%	7,994	2,800	5,194	89.0%
Pier 35	9,994	9,994	0	0.0%	9,994	9,994	0	0.0%	9,994	9,994	0	0.0%
Pier 50	7,743	7,743	0	0.0%	7,743	7,743	0	0.0%	7,743	7,743	0	0.0%
Pier 54 ²	3,000	3,000	0	0.0%	3,000	3,000	0	0.0%	3,000	3,000	0	0.0%
Total Bulkhead Office	140,015	137,215	2,800	2.0%	140,015	137,215	2,800	2.0%	140,015	137,215	2,800	2.0%
OVERALL OFFICE	315,105	302,305	12,800	4.1%	315,105	292,305	22,800	7.2%	315,105	292,305	22,800	7.2%
PIER SHED												
Pier 9	29,754	29,754	0	0.0%	29,754	29,754	0	0.0%	29,754	29,754	0	0.0%
Pier 15 ⁴	0	0	0	0.0%	0	0	0	0.0%	0	0	0	0.0%
Pier 17 ⁴	0	0	0	0.0%	0	0	0	0.0%	0	0	0	0.0%
Pier 19 & 19 1/2 ^{1,3}	94,544	94,544	0	0.0%	94,544	94,544	0	0.0%	94,544	94,544	0	0.0%
Pier 23 ^{1,3}	54,000	54,000	0	0.0%	54,000	54,000	0	0.0%	54,000	54,000	0	0.0%
Pier 26 ⁷	94,472	94,472	0	0.0%	94,472	94,472	0	0.0%	94,472	94,472	0	0.0%
Pier 28 ⁷	44,644	44,644	0	0.0%	44,644	44,644	0	0.0%	44,644	44,644	0	0.0%
Pier 35	61,192	61,192	0	0.0%	61,192	61,192	0	0.0%	61,192	61,192	0	0.0%
Pier 35	242,299	242,299	0	0.0%	242,299	242,299	0	0.0%	242,299	242,299	0	0.0%
Pier 38 ⁵	0	0	0	0.0%	0	0	0	0.0%	0	0	0	0.0%
Pier 40	82,904	82,904	0	0.0%	82,904	82,904	0	0.0%	82,904	82,904	0	0.0%
Pier 40	200,000	200,000	0	0.0%	200,000	200,000	0	0.0%	200,000	200,000	0	0.0%
Pier 48	135,350	130,350	5,000	3.7%	135,350	130,350	5,000	3.7%	135,350	130,350	5,000	3.7%
Pier 54 ²	20,000	20,000	0	0.0%	20,000	20,000	0	0.0%	20,000	20,000	0	0.0%
Pier 56	400,600	400,600	0	0.0%	400,600	400,600	0	0.0%	400,600	400,600	0	0.0%
Pier 95 M&R Building	30,000	30,000	0	0.0%	30,000	30,000	0	0.0%	30,000	30,000	0	0.0%
Pier 80 M&R Building	30,000	30,000	0	0.0%	30,000	30,000	0	0.0%	30,000	30,000	0	0.0%
Total Shed	1,519,759	1,514,759	5,000	0.3%	1,519,759	1,514,759	5,000	0.3%	1,519,759	1,514,759	5,000	0.3%
OFFICE & SHED	1,834,864	1,817,064	17,800	1.0%	1,834,864	1,807,064	27,800	1.5%	1,834,864	1,807,064	27,800	1.5%



APPROVED BY SAN FRANCISCO PORT COMMISSION DATE	CHIEF HARBOUR ENGINEER	<div style="text-align: center;">  SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING </div>	<div style="text-align: center;"> EXHIBIT F-1 </div>	DRAWN BY: EDC CHECKED BY: T. LEE-JAM DRAWING NO.:	DATE: MAY 1, 2014 SCALE: NONE SHEET NO.: OF 37 SHEETS

PARKING RATES SURVEY
As of May 1, 2014

	Location	Operator	Phone #	Monthly Parking			In/Out Privilege	Days / Week	Hour	Daily Parking	Hourly Parking	Covered / Uncovered
				Reserved	Non-reserved	Vac- ancy						
1	Beach & Hyde Garage 655 Beach / Leavenworth & Hyde	Propark America	673-7735	-	\$225 \$175	No No	Yes Yes	7 days M-F	24 hrs	363\$ all day, \$40 over night	\$8 1st hr, then \$7 / hr	Covered
2	Anchorage Shopping Center Garage 500 Beach / Jones & Leavenworth	Acas Parking	515-1589	-	\$275	Yes	Yes	7 days	24 hrs	\$36 all day \$10 M-F, in before 9am, out by 6pm	\$2 / 20 mins	Covered
3	Fisherman's Wharf Parking 327 Jones / Beach	Wharf Properties, Inc	885-4884	-	-	-	-	-	-	\$30 before 10am M-F \$28 after 10am max all day	\$3 / 75 mins	Uncovered
4	Wharf Garage 350 Beach / Taylor & Mason	Imperial Parking	227-0114	-	\$160 \$140	Yes Yes	Yes Yes	7 days 7 days	24 hrs 7am-7pm	\$18 max after 10am exp 11:59pm \$8 in before 9am M-F, \$15 S-S	-	Covered
5	Longshoremen's Hall Parking Lot 400 North Point / Taylor	City Park	495-3909	-	\$250	Yes	Yes	7 days	6am-12am	\$25	-	Uncovered
6	Cost Plus Plaza Garage 455 North Point / Taylor	ABM Parking	351-1450	-	\$175	Yes	Yes	7 days	7am-9pm	\$15 for 12 hrs (10/16 - 5/15) \$20 for 12 hrs (6/16 - 10/15)	\$4 / hr (10/16 - 5/15) \$5 / hr (6/16 - 10/15)	Covered
7	North Point Center Garage 350 Bay / Powell & Mason	Imperial Parking	227-0114	-	\$170 \$145	Yes Yes	Yes Yes	7 days M-F	24 hrs	\$30 M-F \$35 S-S	-	Covered & Uncovered
8	Triangle Parking Lot 170 Jefferson	Central Parking	877-177-0004	-	-	-	-	-	-	\$35 8am-12am, add \$15 overnight	\$3 / 20 mins	Uncovered
9	Pier 38 Garage Embarcadero / Stockton	Ampos System	705-5418	-	\$215 Pier 38 tenants only	No	Yes	7 days	24 hrs	\$40	\$8 / hr	Covered
10	Bay / Embarcadero & Kearny	Central Parking	877-177-0004	-	\$225	No	Yes	7 days	24 hrs	M-F: \$35 all day, \$15 in by 8am, \$15 after 5pm S-S: \$40 all day \$14 daily max \$16 S-S	\$5 / 30 mins M-F	Uncovered
11	80 Francisco	Imperial Parking	227-0114	\$275 tenant only	-	Yes	Yes	7 days	24 hrs	\$22 in after 9am & out by 7pm \$18 in before 9am & out by 7pm	\$2 / 15 mins	Covered
12	55 Francisco	Acas Parking	398-0208	\$340	\$285	Yes	Yes	7 days	24 hrs	\$25 for 12 hrs, \$60 after 12 hrs, \$18 in by 9am & out by 6pm	\$3 / 20 mins	Covered
13	Lewy Plaza Garage Sansone / Greenwich	Ampos System	981-8213	\$400 \$350	\$325	Yes Yes	Yes Yes	7 days M-F	24 hrs 6am-10pm	-	\$3 / 20 mins	Covered
14	Pier 33	Priority Parking	777-4042	\$500	\$175 tenant \$300 non-tenant	Yes	Yes	7 days	24 hrs	-	-	Covered
15	Pier 29 1/2	Priority Parking	777-4042	-	-	-	-	-	-	\$25 flat rate, \$45 full size	-	Covered
16	Pier 19 1/2	Priority Parking	777-4042	-	-	-	-	-	-	\$25 flat rate, \$45 full size	-	Covered
17	SWL 321 Green / Front / Embarcadero	Priority Parking	777-4042	\$550	\$400	Yes	Yes	7 days	24 hrs	\$17 in by 9am, \$35 Max \$45 24hrs, \$12 after 3pm & wind	\$5 / hr	Uncovered
18	SWL 322-1 Front / Broadway & Vallejo	Priority Parking	777-4042	\$550	\$400	Yes	Yes	7 days	24 hrs	\$15 in by 6:30am, \$20 before 4pm, \$30 Max \$10 after 4pm, \$10 wind & nights, \$40 full size	-	Uncovered
19	SWL 323 Davis / Vallejo / Embarcadero	Priority Parking	777-4042	\$550	\$400	Yes	Yes	7 days	24 hrs	\$20 before 11am, \$25 after 11am, \$30 Max \$15 after 5pm, \$20 wind, \$45 24hr full size	-	Uncovered
20	SWL 324 Davis / Broadway / Embarcadero	Priority Parking	777-4042	\$550	\$400	Yes	Yes	7 days	24 hrs	\$20 before 11am, \$25 after 11am, \$30 Max \$15 after 5pm, \$20 wind, \$45 24hr full size	-	Uncovered

PARKING RATES SURVEY
As of May 1, 2014

Location	Operator	Phone #	Monthly Parking			Days / Week	Hour	Daily Parking	Hourly Parking	Covered / Uncovered
			Reserved	Non-reserved	Vacancy					
21 735 Davis / Broadway & Vallejo	West Coast Parking	756-5877	-	\$300	Yes	7 days	7am-6pm	\$18 M-F, \$15 after 2pm \$15 S-S	-	Uncovered
22 841 Front / Broadway & Vallejo	Pacific Park Mgmt	398-0428	-	\$325	Yes	M-F	6am-8pm	\$16	-	Covered
23 750 Front / Broadway & Pacific	Pro Park	374-2047	-	\$315 \$350 tenant \$360 non-tenant	Yes Yes Yes	M-F 7 days 7 days	24 hrs	\$16 in before 9am, \$22 in after 9am \$20 in after 9am & out by 7pm \$16 in before 9am & out by 7pm	\$8 1st hr, then \$3.20 mins after	Covered
24 750 Battery Parking Garage Broadway / Battery & Front	Ampro System	956-8148	-	\$340	Yes	M-F	7am-7pm	\$25	\$2.50 /20 mins	Covered
25 800 Sansone / Broadway	Liberty Parking	650-342-3010	-	\$300	Yes	M-F	6am-9pm	\$15 in before 10am, \$18 in after 10am \$15 roof	-	Covered
26 855 Sansone / Broadway & Vallejo	Liberty Parking	650-342-3010	-	\$300	Yes	7 days	24 hrs	\$16 in by 10am, \$28 Max	\$5.50 1st 20 mins, \$3.50 /20 mins after	Uncovered
27 825 Sansone / Pacific & Broadway	Priority Parking	777-4042	\$600	\$400	Yes	M-F	6am-8pm	\$25 for 12 hrs	-	Covered
28 850 Pacific / Battery & Sansone	American West	596-8743	-	\$320	Yes	7 days	24 hrs	\$38 after 8:30am \$20 in before 8:30am	-	Uncovered
29 768 Sansone / Pacific & Jackson	California Parking	468-4680	-	\$419.00 \$359.00	Yes No	7 days	24 hrs	\$33, out by 12am	-	Covered
30 Golden Gateway Garage 250 Clay / Battery & Front	Five Star Parking	433-4722	\$510	\$400	Yes	7 days	24 hrs	\$17 in before 8am, out by 6pm \$15 after 6pm	\$7 /hr	Covered
31 Embarcadero Center Garage Building 1, 2, 3 & 4	Ampro System	772-0670	\$650	\$425	Yes	7 days	24 hrs	\$20 8am-12am \$17 in before 8am, out by 6pm	\$6 /20 mins	Covered
32 Hornblower Landing Parking Lot Pier 3	Hornblower Landing	788-8866	-	\$325	Yes	M-F	6am-12am	\$50 daily max \$15 after 6pm	\$5 /hr	Uncovered
33 Ferry Bldg Investors Parking Lot Embarcadero / Washington St	Ace Parking	777-2292	-	\$495	No	7 days	24 hrs	\$44 8am-8pm	\$6.50 /hr	Uncovered
34 1 Market Garage Market / Spear	Standard Parking	882-9468	-	\$375	Yes	M-F	6am-10:30pm	\$30	\$12 /hr	Covered
35 Rincon Center Garage 121 Spear / Mission & Howard	Ace Parking	543-2214	\$465	\$375	No	7 days	24 hrs	\$29.50 daily max \$21 in before 9am, out by 6pm	\$6 /20 mins	Covered
36 75 Howard / Stewart & Spear	Imperial Parking	227-0114	-	\$220	No	7 days	24 hrs	\$16 in before 8:45am	-	Uncovered
37 Bayside Lot 1 Bryant St / Embarcadero & Beale	Imperial Parking	227-0114	\$200 / \$225 / \$250	-	Yes	7 days	6am-10pm	-	-	Covered
38 Pier 26	Imperial Parking	227-0114	\$200 / \$225 / \$250	-	Yes	7 days	6am-10pm	-	-	Covered
39 Pier 28	Imperial Parking	227-0114	\$200 / \$225 / \$250	-	Yes	7 days	6am-10pm	\$15 9am-11pm	-	Covered
40 Pier 30/32	Imperial Parking	227-0114	-	\$140	Yes	7 days	5am-11pm	-	-	Uncovered



KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

SAN FRANCISCO
A. JERRY KEYSER
TIMOTHY C. KELLY
KATE EARLE FUNK
DIBBIE M. KURN
REED T. KAWAHARA
DAVID DRUZEMBA

LOS ANGELES
KATHLEEN H. HEAD
JAMES A. RADE
GREGORY D. SCORHEO
KEVIN E. ENGSTROM
JULIE L. ROMEY

SAN DIEGO
PAUL C. MARRA

To: Jeffrey Bauer
Port of San Francisco

From: Keyser Marston Associates, Inc.

Date: May 15, 2014

Subject: Review of 2014-15 Port Minimum Rent Schedule

Introduction & Conclusions

In accordance with your request, Keyser Marston Associates, Inc. (KMA) has undertaken a review of the Port of San Francisco's May 9, 2014 memorandum regarding the "Fiscal Year 2014-15 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates." KMA has been tasked to review the Port's 2014-15 schedule for the purpose of assessing the reasonableness of the rents for office, industrial/warehouse, and parking facilities. Special events and filming rates are not included in KMA's assessment.

As further described in this memorandum, KMA concludes that the minimum office, industrial/warehouse, and parking rates recommended in the Port's 2014-15 schedule are generally reasonable and consistent with overall market trends.

Background & Approach

The Port of San Francisco is a lessor of a wide variety of real property including office space, industrial/warehouse space, parking spaces, paved and unpaved land, and space for special events and filming. The Port annually updates a schedule of minimum rents for a number of the Port's properties. New leases and lease renewals with terms that equal or exceed the minimum parameters contained in the schedule can be approved by the Port's Executive Director. Leases that fall outside the parameters of the schedule must be approved by the Port Commission.

The purpose of the rent schedule is to set minimum rents, which are intended to approximate the lower end of market, in order to keep to a reasonable number the leases the Port Commission needs to review and approve while at the same time providing additional assurance that the minimum rents are consistent with the market. Port leasing staff is free to lease properties at the highest rate that it can achieve from a certain tenant, and in fact we understand that the majority of leases are successfully negotiated with rents above the minimums.

In performing this assignment, KMA undertook the following tasks:

- Reviewed the Port's proposed 2014-15 minimum rental rate schedule;
- Assessed changes from the Port's 2013-14 rent schedule;
- Reviewed the current rent roll of Port properties;
- Reviewed and analyzed current rent listings and other market data; and
- Discussed the Port's recent leasing activity with Port staff.

We are generally familiar with the Port's properties and have performed "windshield" visual inspections of those properties in prior years.

Analysis

A. Office

Office market conditions in San Francisco have improved from last year. According to a recent report from Cassidy Turley, the average asking rate for office properties in San Francisco (all classes) was \$56.04/sf/year (\$4.67/sf/month) in the 1st Quarter of 2014 (rents on a full service gross basis¹). This represents a 21.5% increase year-over-year. Rents for Class A space specifically were \$58.03, with lower rates attributable to Class B and Class C space. Cushman & Wakefield reports that direct asking office rents (not including subleased space) were up 8.1% year over year.

Port leasing staff has indicated that certain of the Port's office properties have low vacancy rates and are in high demand, and on this basis staff recommends the minimum rents for certain properties be increased from last year. Port staff is recommending that the minimum rents for several office properties be increased in the approximate range of

¹ When comparing office market rents with the Port's office rents, it is noted that many of the Port's rents are expressed on a triple net basis rather than on a full service gross basis. Triple net rent are lower than full service rents because the tenant pays for taxes, insurance, and maintenance expenses in addition to rent.

10% to 20% from last year. For some of the Port's office properties which are in less demand for a variety of reasons, Port staff is not recommending an increase in minimum rents from last year.

Based on a review of third party market data, review of Port lease data for specific properties, and discussions with Port leasing staff, KMA concurs with Port staff's 2014-15 minimum office rent recommendations. It is noted that among the factors that puts downward pressure on the Port's rents relative to the overall San Francisco office market is the more advanced age and less optimal physical condition of many of the Port's facilities as well as the fact that the Port has limited ability to fund up front tenant improvement costs.

B. Industrial/Warehouse

As with the office market, industrial market conditions in San Francisco have also improved from last year. Port staff reports that, in general, demand is high for its industrial/warehouse space. The improvement in the commercial office market and the overall improvement in the San Francisco economy are spreading to other commercial sectors including industrial space. In recognition of improved market conditions, Port staff is recommending that the minimum rents for many of the Port's industrial shed space be increased in the range of 5% from last year, and in a few cases increased 20% to 30%. With these increases, most of the new minimum rents would cluster in the \$0.90 to \$1.25/sf/month range (on an industrial gross basis). According to Cassidy Turley, as of the 1st Quarter of 2014 the average industrial warehouse asking rent in San Francisco was \$0.80/sf/month against a vacancy rate of 6.6%.

Based on a review of Port lease data for specific properties and discussions with Port leasing staff, KMA concurs with the Port's 2014-15 minimum industrial/warehouse rent recommendations.

C. Parking

In May 2014, Port staff updated its survey of rates for parking facilities in the vicinity of the Port. Overall, Port staff's assessment is that market conditions have improved from the prior year. The Port's parking stall vacancy rate improved slightly from 14% in the last fiscal year to 13% this fiscal year. Parking revenues rose by approximately 21% year over year, which is primarily attributable to a roughly 15% increase in the Port's parking inventory (addition of spaces at Pier 9 and truck parking at Piers 90 and 94). In order to reflect improved conditions in the market, Port staff is recommending that the minimum parking rates be increased by roughly 3% for many of the Port's parking facilities. On the

To: Jeffrey Bauer

May 15, 2014

Subject: Review of 2014-15 Port Minimum Rent Schedule

Page 4

basis of the current vacancy rate figures and a review of the Port's survey of competitive parking facilities, KMA concurs with Port staff's rent recommendations.

EXHIBIT H

SYNOPSIS OF PORT LEASING POLICIES

The Port Commission has delegated authority to Port staff to execute certain leases, licenses and memoranda of understanding that meet the following criteria:

1. Use Type:
The agreement is for an office building or bulkhead office space, open or enclosed pier shed space, paved or unpaved open space, or open pier or apron space or roof-top space but is not for a retail use.
2. Use Consistency:
Except for temporary uses (with terms not exceeding six (6) months), the use under the agreement represents a like-kind use to the existing or the immediate prior use of the facility.
3. Assignments and Subleases:
Unless otherwise explicitly provided by the Lease, staff is authorized to consent to assignments and subleases on a form approved by the City Attorney and provided the terms and the conditions of the sublease or assignment complies with the terms and conditions of the Lease.
4. As-Is Execution:
The tenant executes the Port's appropriate* standard form agreement with no alterations except for minor changes approved by the City Attorney or changes in insurance requirements approved by the City Risk Manager.
5. Term Limits:
The term of the agreement does not exceed five (5) years, except for those leases in the Fisherman's Wharf Seafood Center at Pier 45 Sheds B and D that have a maximum lease term of ten (10) years (Port Resolution No. 94-122; Amended February 28, 2006, by Resolution No. 06-15). Leases for telecommunication sites may be up to nine (9) years (Port Resolution No. 96-123).
6. Select Tenant Improvement Allowance:
Port staff has the authority to issue tenant improvement allowances for floor and wall coverings if those credits do not result in the net rent over the term of the lease to be below the Minimum Net Effective Rental Rates found in the Rental Rate Schedule. Allowances for paint (amended June 8, 2010 by Resolution 37-10) up to a maximum of \$3.50 per square foot, and for floor covering, up to a maximum of \$5.00 per square foot (amended July 10, 2012 by Resolution 12-52), are allowable when: 1) new paint and/or floor covering is necessary in order to lease space in full service office buildings; and 2) Port staff is unable to perform such work prior to the proposed lease commencement date. These allowances are considered "landlord's work"; therefore such work is not included in calculating the minimum Initial Lease Rental Rates.

7. Limited Early Entry:

One month rent-free early entry to include rent abatement for each year of lease term may be granted, up to three months, for the purpose of space preparation (not to exceed three months). (Amended July 14, 2009 by Resolution No. 09-34)

8. Compliance with Laws:

The standard forms require compliance with all laws, explicitly including requirements for compliance with environmental laws including hazardous materials handling and cleanup; City zoning laws; the Port Waterfront Land Use Plan; and consistency and compliance with the Secretary of the Interiors' Standards for the Treatment of Historic Properties and the Port of San Francisco Historic Preservation Review Guidelines for Pier and Bulkhead Wharf Substructures.

9. Large Land Discount:

Port staff is authorized to offer a 5% discount for land transactions with minimum premises of 43,560 square feet and a minimum term of 36 months (Amended June 8, 2010 by Resolution 10-37).

10. Rental Rates:

The Port's leasing policy provides for an annual update of the Rental Rate Schedule. The Rental Rate Schedule sets ranges of minimum lease/license rental rates per square foot and ranges of Minimum Net Effective Rental Rates per square foot (if any rent credits are to be provided) by type of use and facility for office, shed and industrial space.

11. Reporting to Port Commission:

Port staff provides a monthly report to the Port Commission indicating Leases, Licenses, Memoranda of Understanding, consents to sublease, and assignments executed pursuant to this policy.

12. The City's administrative policy is to competitively solicit leasing opportunities, except where impractical or infeasible.

The Port has a high volume of leases (about 550) for relatively small leased areas at nominal rental rates. To competitively bid such a large volume of leases would be impractical because the benefit of doing so does not outweigh the cost of resources that would be required just for this effort. Moreover, Port is generally able to accommodate most entities that wish to enter into leases for general special events, offices, and pier and open land storage space. As such, it is the policy of the Port not to competitively bid leases or licenses for special events, office, warehouse space, or unimproved land. Instead, for these fairly routine leases, the Port relies on the parameter rental rate structure that is based on an analysis of comparable rent charged in the private sector and/or based on existing conditions of individual properties as adjusted annually to reflect market conditions. However, where a business model is highly competitive and represents a major revenue opportunity for the Port (e.g., development opportunities, retail leases, parking lots, concrete batching, construction materials recycling), the Port would issue a competitive solicitation.

EXHIBIT I
Shed Leases Effective From April 1, 2013 through March 31, 2014

Lessee Name	Contract #	Facility	Square Feet	Rate/SF
Central Waterfront				
B & A Body Works/Towing Inc	L-15673	3450	6,025	0.75
BCCI Construction Co.	L-15754	1500	890	1.25
Build Group, Inc. and Pacific Structures, Inc.	L-15723	1500	5,010	1.25
Distillery No. 209 Ltd Napa, California	L-15243	1500	4,675	1.25
Principal Builders, Inc.	L-15760	1500	2,179	1.25
SomArts	L-15775	3490	2,817	0.85
	Average Monthly Rate	\$	1.10	
Fisherman's Wharf				
A. La Rocca Seafood, Inc.	L-15713	1450	4,115	0.85
A. La Rocca Seafood, Inc.	L-15713	1450	598	1.10
Alldob Fish Company Ltd.	L-15236	1450	1,450	0.80
American Scooter & Cycle Rental, Inc.	L-15707	1451	1,964	0.95
San Francisco Community Fishing Association	L-15670	1450	3,604	0.82
	Average Monthly Rate	\$	0.90	
Northeastern Waterfront				
Alcalraz Enterprises, Inc.	L-15772	1330	1,230	0.96
Isis Imports Ltd	L-15761	1330	9,055	0.95
Osprey Seafood of California, Inc.	L-15711	1330	3,460	0.90
Pier 23 Cafe	L-15733	1230	1,403	1.25
Simco Restaurants, Inc.	L-15735	1330	1,230	0.96
	Average Monthly Rate	\$	1.00	
South Beach				
San Francisco Commercial Builders, Inc.	L-15773	1280	2,214	0.95
Southern Waterfront				
Metropolitan Electrical Construction Inc.	L-15680	1960	7,500	0.75
Project Frog, Inc.	L-15756	1800	7,837	0.95
Project Frog, Inc.	L-15756	1800	500	0.95
	Average Monthly Rate	\$	0.88	



SAN FRANCISCO PORT COMMISSION

**MAY 27, 2014
MINUTES OF THE MEETING**

**MEMBERS, PORT COMMISSION
HON. LESLIE KATZ, PRESIDENT
HON. WILLIE ADAMS, VICE PRESIDENT
HON. KIMBERLY BRANDON
HON. MEL MURPHY
HON. DOREEN WOO HO**

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**MONIQUE MOYER, EXECUTIVE DIRECTOR
AMY QUESADA, COMMISSION SECRETARY**

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING MAY 27, 2014

1. CALL TO ORDER / ROLL CALL

Port Commissioner Kimberly Brandon called the meeting to order at 2:04 p.m. The following Commissioners were present: Kimberly Brandon, Mel Murphy, and Doreen Woo Ho. Commissioner Katz arrived at 2:36 p.m. Commissioner Adams is travelling on business.

2. APPROVAL OF MINUTES – May 13, 2014

Commissioner Woo Ho - I'd like to make one amendment on page 21, under my comments in the third paragraph from the bottom. What I meant to say was we didn't use a standard policy at the beginning of the lease, so we were not consistent with our supposed policy. Please strike the word inconsistent and replace it with consistent.

ACTION: Commissioner Woo Ho moved approval of the minutes, as amended; Commissioner Murphy seconded the motion. All of the Commissioners were in favor. The minutes of the May 13, 2014 meeting were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

ACTION: Commissioner Woo Ho moved approval; Commissioner Murphy seconded the motion. All of the Commissioners were in favor.

At 2:06 p.m. the Commission withdrew to executive session to discuss the following:

(1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative:

- a. Property: Daggett Street, located between 7th and 16th Streets
Person Negotiating: Port: Susan Reynolds, Deputy Director, Real Estate
Mark Lozovoy, Assistant Deputy Director, Real Estate
*Negotiating Parties: John Updike, Director, Department of Real Estate

- b. Property: Ferry Plaza Limited Partnership, a portion of the Ferry Plaza located at the Embarcadero and Market Street
Person Negotiating: Port: Susan Reynolds, Deputy Director, Real Estate; Mark Lozovoy, Deputy Director of Real Estate
*Negotiating Parties: Alfred Tom, Ferry Plaza Limited Partnership

5. RECONVENE IN OPEN SESSION

At 3:35: p.m., the Commission withdrew from executive session and reconvened in public session.

ACTION: Commissioner Murphy moved approval to adjourn closed session and reconvene in open session; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Woo Ho moved approval to not disclose anything discussed in closed session. Commissioner Murphy seconded the motion. All of the Commissioners were in favor.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS: The Port Commission Secretary announced the following:

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Sean Farley, ILWU - I'm here to say that quite often, the frontline people that are taking care of the Port's business, they get a kick in the butt every once in a while. They don't always get the recognition that they deserve. I'm sure the Port director has given these people kudos privately, but I think that it's due that they have it upfront because they've been amazing working with us. That's Kanya Dorland and Dan Hodapp. We're putting together the Pier 27 memorial at the Jimmy Herman Cruise Terminal. It's a tough process and a lot of people would have thrown their hands in the air and said come back. They've never done that. They've stuck with us the whole way. I wanted you guys to know how wonderful your troops are.

Commissioner Katz - Thank you very much.

9. EXECUTIVE

A. Executive Director's Report

• Report on the Sale of Port Revenue Bonds, Series 2014

Monique Moyer, Executive Director - At the last commission meeting I mentioned that we were going to be selling the bonds. We sold the bonds on May 15, 2014, almost two weeks ago. It was so amazing, but we hit the marketplace in the best of all markets that we've seen in the municipal bond market in a long time. It was a combination of good interest rate news coming out in favor to borrowers as opposed to investors and a lack of supply in the municipal bond market.

We sold \$22,680,000 of Port revenue bonds series 2014. As you recall, they were issued in two tranches, a Series A, which is tax exempt, and a Series B, which is taxable. The Series A constituted \$19,880,000 and the Series B constitutes \$2,800,000. It's about a 12 percent to 78 percent split between taxable and tax exempt. The transaction is scheduled to close on Thursday, May 29, 2014 so we're a little premature to say it's completely done, but the sales portion of it is definitely done.

The transaction was processed for Port staff that I would like to mention. First and foremost, our CFO Elaine Forbes and her wonderful team of Meghan Wallace and Larry Brown. Nate Cruz. Marilyn Yeh. A number of others who I know I'm forgetting so apologies in advance. Our consultants, the underwriters, were led by Siebert, Brandford, and Shanks and Stifel Nicolaus and Company. Our financial advisors were Public Financial Management and Backstrom, McCarley and Berry. We were very pleased to have four such caliber firms working with us.

The majority of the orders were driven by institutions, meaning primarily mutual funds and things like that, but there were definitely some retail buyers, individuals, and Merrill Lynch and Deutsche Bank both submitted for large orders of over \$10 million and in a particular series of the bonds. They were each allocated \$6 million. We're pleased to have them among our investors.

Our overall true interest cost, which is a weighted average, is 3.97 percent, so we borrowed for 30 years at under 4 percent interest. This compares very favorably with the last borrowings which the city issued certificates of participation on behalf of the Port. That average interest rate was 4.68 percent, a little more than half a percent higher. The Port's 2010 revenue bonds, which was a very similar structure, were issued at 6.16 percent. You can see the market moved in our favor. We'll probably never refinance those bonds, but we're very happy to have them. Kudos all the way around.

- Update on the Port's Fiscal Year 2014-16 Biennial Operating and Capital Budgets hearing at Board of Supervisors

I also reported at the last meeting that we were going to be heading into the beginning of our budget hearings at the Board of Supervisors. We had two hearings. We had one that was on the state of the Port, which went very well. We were the first department to be heard in both cases. We also had a hearing on our actual two year budgets, our fiscal year 2014-15 and 2015-16 budget.

Leading into those hearings, we spent a bit of time working with the mayor's office. As you know, the Port's budget is compiled into the mayor's overall budget for the city. There were some citywide adjustments to labor cost and some work order changes that impacted Port's balance a little bit negatively.

In February when we presented the budget to you, we were meeting our requirement to designate surplus funds to Port capital needs in the percentage of 20 percent. We fell a little bit below that after our negotiations with the Mayor's office. But through the budget analyst process with the Board of Supervisors, the budget analysts recommended to the board about \$700,000 worth of savings. We were successful in having the board direct that savings back to our designated for Port capital projects, which brought us back into balance.

Again, kudos to Elaine and her team for orchestrating that. The board's budget committee has heard the budget. It will go onto the full board when they are finished hearing all of the other departments with a targeted adoption date before August 1st. I believe they can't act before July 17th or after August 1st unless they're late. That's the update for now. When we finally get through the budget, we'll come back and show you more line item detail, but we wanted to let you know that it went very well.

- Report on Pilot Donor Recognition Program in association with OneSF: Celebrate the Cup at Piers 27-29

Approximately nine months ago, the Port worked with the San Francisco America's Cup Organizing Committee to create a pilot donor program that was titled OneSF: Celebrate the Cup at Piers 27-29. The San Francisco America's Cup Organizing Committee has fulfilled all of its duties to the city and has subsequently closed its doors as of March 31, 2014. The pilot donor program has concluded with the opportunity for the Port to continue the donor program on an ongoing basis if we so choose.

I thought it would be important for you to see what actually came of it. As you may recall, there were three offerings priced at various points to encourage the widest ability of individuals and others to participate. There was a brick

program, there was a bench program, and there was a larger ability to dedicate a grove of trees on the site.

Approximately 250 bricks were purchased which will line the walkway at the lawn area of the new park. You can see the very large red oval is showing where the walkway is. There's a walkway on the Embarcadero promenade and then there's a step up into the lawn, very similar to the Brannan Street Wharf. Within that area, there's the ability to cross the lawn on a walkway and that's where the 250 bricks will be inlaid.

These bricks are engraved with someone's name or a family name and potentially with well wishes. For example, somebody purchased a brick in memory of a Port director from the 1980s who had served a short term. Others have just expressed their love of the area. It's been very interesting. It will be a lot of fun to go through those bricks.

The second is the bench program. 13 benches have been purchased. They will be lining the area with the two small ovals, the top of the slide which is facing south to the Bay Bridge. This will look more into the area at Pier 23 Café, the front part, with one bench placed a little bit around the corner. That's where the benches will go.

The third is a grove of three cypress trees which have been placed in the lawn area and are named the Jewett Grove. They are named after George Fritz Jewett, Jr. and Lucy Jewett who have been contributors in San Francisco for quite some time. A group of their family and friends got together in recognition of their many civic contributions. The Jewetts have supported all kinds of nonprofits, particularly in the areas of the health and vibrancy of the bay, but also cultural institutions such as the San Francisco Ballet, Academy of Sciences, the Fine Arts Museums, etc. A group of people made donations in recognition of the Jewett's legacy. This is the plaque that will adorn the grove. It will be inlaid into a cement seat there which is the retaining wall for the grove of cypress trees. If you peak over the construction fence, you can see the tops of those trees. They're on the site already. This is a typical plaque that would adorn one of the benches, again, a saying and a family name or something like that plus the Port's name.

Lastly we've dedicated a wall within the cruise ship building on the second floor for everyone that was able to donate to help with the expenses at Piers 27, 29, and elsewhere at the Port. This is the wall that is adjacent to the escalator, so as you were to come up the escalator, you would have your back to this wall. You would then likely turn and look out either at the windows next to this wall looking at the views of Coit Tower, Transamerica Building, and all the wonderful San Francisco icons or you would face outward and look at the Bay Bridge or any of the other amazing sites.

This is just a very small area where the names of the people who donated will be remembered. There's an empty box at the top which is a monitor which has nothing to do with the donor recognition.

That's the update on the donor recognition program. We're going to wait until the building and the park is open to assess people's reactions to it. If there's enough interest we might come back and ask you for approval to reauthorize it. We are having a number of people who wish they had bought a brick who have come to us.

Commissioner Katz - Myself included.

Monique Moyer - Yourself included. I think that's going to be very popular once people get to see where it is and what it is. Obviously we can always use more benches up and down the Port. Again, that program was modeled after what Rincon Park does.

Commissioner Brandon - Can I ask how much was raised?

Monique Moyer - I's approximately a half a million dollars. I was trying to get the exact number before I came in, and I don't think I got that. Eligible expenses were up to \$10 million. You may recall there's an MOU between the Port and the San Francisco America's Cup Organizing Committee. We identified up to \$10 million in expenses that we would like to be repaid through the recognition.

Commissioner Katz - I want to say kudos to the staff and all the hard work to get such an incredible result with respect to our bond ratings. I know it took a lot of time and effort. I think we're very lucky not only to have the staff that we did to do that but also to have the operation that warranted such high ratings. Thank you all for your work on that.

- Report on Port Maintenance work building 9 Fenders at James R. Herman Cruise Terminal, Pier 27

I'd like to tell you a little bit about some work that the Port maintenance workers are doing at Pier 27. Because of the construction fences, you won't get to see this up close and personal, but it's rather astounding what they're doing out there.

The Port maintenance pile worker crews began to work on the fender system project on April 21, 2014. The fender systems consist of nine fenders. Each has five 100 foot steel H-beam piles and bracing. These fenders support Yokohamas which keep the ship off of the pier, from ruining the pier and/or ruining the ship. They have to be very sturdy. Because of the gangways and the shore power system, they have to sit off the pier a little bit.

Through the process of building the cruise ship terminal, we determined that the Port maintenance workers had the expertise to be able to do a project of this magnitude. They are just doing a tremendous job. Port welders fabricated two templates which guide the driving of the piles. These templates were designed by the Port welders, pile workers, and engineers. They keep the piles going in straight with gauging the depth.

It's really astounding to watch them work, how completely accurate and careful they are driving these piles in. Remember, they're 100 foot steel H-beams, so they're pretty amazing terms of their length and their weight. To be able to guide them in as effortless as it looks like they're doing is a huge talent and in part due to this great idea of having these templates.

To date, three of the nine fenders have been installed with the remainder to be installed by the end of July. I wanted to give a moment for you to see some of the work that our Port maintenance staff can do in the construction mode, not just in the maintenance mode. We're very proud of what they're doing out there. I wish we all could skip over the construction fence and go see, but unfortunately not.

- Update on Drydock Bookings at BAE SF Ship Repair

I also wanted to report on some great work that's being done at the San Francisco ship repair yard at Pier 70 that is operated by BAE, San Francisco Ship Repair. On May 15, 2014 BAE completed a sizeable ship repair job for the Norwegian Jewel, which is a very large cruise ship. Hopefully you saw her either sailing in or sailing out. She carries approximately 2300 passengers. She is considered a Panamax cruise ship, meaning she is too large to fit through the Panama Canal. She's one of two cruise ships that will be repaired at the yard this year. The second ship will be the Star Princess, which is coming in December for dry docking and upgrade.

There was a lot of great work that was done, including putting in three new restaurants, an O'Sheehan's Neighborhood Bar and Grill, a Brazilian style steakhouse with an adjacent mojito bar and this will make my daughter really happy, a new Carlo's Bake Shop. If you have a teenage daughter, you have been subjected to watching Cake Boss on TLC. It's a famous bake shop out of New Jersey with quite an amazing sculpture of cakes and other treats.

All told while she was in dry dock, the Norwegian Jewel maintenance and upgrade package generated over 30,000 employment hours. She is headed now for Seattle or is probably almost there where she will be based for her Alaskan sea operations. We hope to see her on her voyage back down the coast on Tuesday, September the 23, 2014 at the new James R. Herman Cruise Ship Terminal. If all goes right, she'll be our third vessel to call at the new terminal. We're really excited about that.

Bill Dunbar is here from BAE. We want to congratulate you and your team on all the great work that you're doing and most importantly your ability to bring in the cruise ships and provide these great services which helps us to build our cruise ship business. As you probably know, we are moving forward with record high cruise ship calls this year and next. It's in no small part due to the ability to bundle the services that you provide at the shipyard. We're very grateful for that.

All told, BAE has seen about an 83 percent growth in ship repair revenues. A large part of it has come from the fact that they can now offer onshore shoreside power that is one of the projects that came out of the America's Cup project where the Port and the San Francisco PUC and BAE partnered to put in shore power at the ship repair yard with an investment of about \$5.7 million. It has allowed BAE to bid on all kinds of contracts for the largest class of military ships and it's been quite successful. It's an investment that was well spent and also an investment that is very environmentally sound. We couldn't be more pleased. That's exciting news on BAE.

- EcoCenter Housewarming Party – May 28, 2014 from 4-7 p.m.

The EcoCenter at Heron's Head Park will be having a house warming party on Wednesday, May 28, 2014 from 4:00 to 7:00 p.m. at the EcoCenter located at 32 Jennings Street at Heron's Head Park. This is for the new operators to be able to welcome the community and all of us that have participated. You will recall that this is a collaboration between the Bay Institute Aquarium Foundation, the A. Philip Randolph Institute, and City College of San Francisco.

Commissioner Katz - Kudos to Port staff regarding their tremendous effort on the bonds. I also want to thank Sean for your remarks regarding our staff. We often say it, but we appreciate having members of the public come forward and acknowledge what so many of us know. Thank you very much. As Director Moyer pointed out, our maintenance workers at the Jimmy Herman Terminal as well. Thank you to all of them. As it was noted, it's tremendous work.

B. Commissioners' Report

10. CONSENT

- A. Request approval of Memorandum of Understanding (MOU) M-15747 between the Port of San Francisco and the San Francisco Municipal Transportation Agency (SFMTA) for use of a portion of Seawall Lot 354 (also known as 1399 Marin Street) for general office, general warehouse, storage, related parking of SFMTA staff vehicles, maintenance and repair of SFMTA buses including fueling and washing of same, and for incidental directly related uses and for no other purpose for a term of seven years and a waiver of the security deposit. (Resolution No. 14-36)

- B. Request approval of a fee waiver for a revocable license which allows the Flaming Lotus Girls to temporarily install public art near Mission Street on the east side of The Embarcadero, on a plaza between the Agriculture Building and Pier 14 for a term of 13 months. (Resolution No. 14-37)

ACTION: Commissioner Brandon moved approval; Commissioner Murphy seconded the motion. All of the Commissioners were in favor. Resolution Nos. 14-36 and 14-37 were adopted.

11. MARITIME

- A. Request approval of the Cruise Terminal Management Agreement and License with Pacific Cruise Ship Terminals, LLC for the James R. Herman Cruise Terminal at Pier 27, Pier 35 and Piers 30-32 at the Embarcadero and Lombard, Bay and Bryant Streets, respectively. (Resolution No. 14-38)

John Doll, Planning and Development - On May 13, 2014, Port staff presented an overview of the business terms of the proposed management agreement between the Port and Metro. We also outlined that the James R. Herman Cruise Terminal at Pier 27 is a project that has taken over 20 years to complete. By the summer this year, Pier 27 will be completed and it will be operational late September.

Getting this project built has been difficult and clearly a long time coming. Once this project is completed and operational, there will be rewards for the Port and the city at large. As mentioned in the May 13, 2014 presentation, staff has tried to create a balance of fiscal responsibility and operational excellence. To do that, the Port has made over the last number of years to create a new Port facility that not only represents a state of the art cruise facility for San Francisco but to create an attractive venue for public and private events inside the terminal. Port staff is optimistic that this mix accomplishes the goals of the cruise terminal advisory panel, recommendations that were set out in 2007.

Generally speaking, those recommendations included: (1) build a new primary cruise terminal to preserve and promote one of the Port's maritime industries; (2) commence planning and development of Pier 27 as the new site of the cruise terminal; (3) develop a funding plan of a Pier 27 terminal that would not only be for cruise operations but for onsite parking and shared use of the terminal space for special events and increase the passenger cruise fee; (4) implement shoreside power; and (5) build a shoreside park. Port staff will have accomplished all of these recommendations that were set out in 2007.

Let's be clear what the cruise terminal is. It's a cruise terminal first. When it does not serve as a cruise function, then we intend to utilize the terminal space for other uses because it brings people to the waterfront and generates revenue to the Port to cover its cost.

While construction of Pier 27 will be complete this summer, staff has embarked on a parallel path to identify the operator for Pier 27 and Pier 35 cruise terminals. The Port Commission selected Metro to manage the uses at Pier 27 and Pier 35. Cruise operations will be managed by Metro Cruise while special event management will be managed by partnership of Metro Shore Services and Hartmann Studios. Parking will be managed by Impark through Metro.

These uses were studied in the EIR that was approved in 2000/2011. Although we laid out the general terms of the agreement on May 13th, we have provided more information with regards to the full agreement, specifically with regards to hosting and booking of cruise events, looking how the GTA or the ground transportation area parking capacity may impact Port revenues, etc.

With respect to event bookings, Port staff and Metro have agreed to a booking procedure that makes cruise calls a priority over events. Metro will provide a monthly update with regards to changes in its fee structures. Metro will cause all event users to comply with noise and light restrictions in compliance with city ordinances and comply with a good neighbor policy that addresses noise, light, transit options, and event times.

As noted in the May 13 presentation, Port staff still has not secured a BCDC permit amendment to allow part-time visitor parking at the ground transportation area. Shas attached two exhibits to your staff report that illustrate the potential financial outcomes of this BCDC permit amendment process.

Exhibit C shows the base case that was similar to what was shown on May 13th. That scenario assumed 330 parking spaces, 82 cruise calls, and an estimated number of events. If those parking spaces are reduced or eliminated, then the Port would be financially negatively impacted.

Exhibit D is similar to the exhibit that you saw on May 13th, the difference being that exhibit D shows a reduced case. The reduced case being instead of 330 parking spaces 180 and shows the impact depending on the number of cruise calls and events.

Clearly it's in the Port's interest to book as many cruise calls and events as possible or as feasible. The priority is to book as many cruise calls as possible. Most of the Port's income is derived from the passenger fee. Those days when Pier 27 sits empty, book events. On those days when there are no cruises or events, use the ground transportation area for waterfront visitor parking.

To reiterate, the Port's original intention per the cruise terminal advisory panel was to preserve and promote the cruise industry in San Francisco. As noted in the September 2007 staff presentation, it explicitly noted, "Cruise terminals are generally not a generator of direct revenue to a port. Similar to the economics of a convention center, cruise terminals operate as loss leaders. While they bring visitors to a city, the facilities lose money operationally. However, cruise terminals generate substantial returns to a city. In San Francisco, a new cruise

terminal enhances the city's reputation as a world class waterfront city and tourist destination as well as preserves and promotes one of its maritime industries."

As noted in the May 13 presentation, the Port must look to revenue opportunities to make this project financially a winner. But it should also look at the cost side of operations, particularly the dredging costs. Port staff has tried to create a project that is not only a state of the art cruise facility but which is financially responsible.

Port staff firmly believes that the proposed agreement with Metro allows the cruise terminal to be operated in the recommendations set forth or provided by the cruise terminal advisory panel. Therefore, the Port staff recommends that the Port Commission approve the Port entering into a management agreement with Metro in terms described in the staff report with the caveat that there's still no resolution with respect to the BCDC permit amendment for the ground transportation area for its use as a part-time visitor parking resource.

Staff further recommends that the Port Commission grant the Port's executive director for the ability to negotiate potentially different terms with Metro pending the outcome of discussions with BCDC.

Approval of this agreement is crucial because it will allow Metro to begin the transition of the primary operations from Pier 35 to Pier 27 so that Pier 27 can be operational by late September. Also it is critical for event operations as well. This will allow Metro to directly book events and begin implementation of their marketing program to attract and sustain event users.

Peter Dailey, Elaine Forbes, John Davey, Grace Park, Nate Cruz, Tom Carter, Jay Edwards and I are here to answer questions. The above mentioned staff have been instrumental in putting together this management agreement.

Sean Farley - You don't have opportunities like this come around very often. We all know this is a pretty special project but one of the things that you look for in success is leadership. Stefano and his team have really stepped up as leaders moving this project forward. We have a fantastic supercargo whose name's Jadine Tarhio. They've invested time and effort because supercargo is the one who gets the passengers off, gets the bags moved and all those things. I am absolutely confident when they transition into Pier 27, you will see the same efficient operation that you've seen at Pier 35 for years. I think that will bode well for everybody.

Frederick Allardyce - I'm here representing a group known as Recreation and Open Space for the Waterfront that includes a number of residents that live across the street from the proposed cruise ship terminal on Pier 27, 29, 31, and even 35. Those people have been residing there since 1977 before any of you ever participated in any Port hearing, before Monique probably was born. Nevertheless, they've been living there and enjoying their waterfront all this time.

Now we celebrated the America's Cup coming and the engine of Mr. Ellison to get the Port to actually build a cruise ship terminal. We all know that would never happen without the enthusiasm of the America's Cup coming forward.

Now we have a wonderful cruise ship terminal, and we're about to suggest to be used for roughly 85 days a year as a cruise ship terminal. But 277 days, or 77 percent of the year, is something that has nothing to do with cruise ships to raise money for the Port, a noble cause except for the fact you're right across the street from over 1000 condominiums and over 2000 people living on Telegraph Hill that were very upset with America's Cup event authority hosting a concert series this last summer by Live Nation.

We got together, the Recreation and Open Space for the Waterfront, and filed a lawsuit and we won that lawsuit, stopping Live Nation from never having another event on Pier 27 unless the Port put out an RFP to cause the same type of event to happen because of the noise created and the lack of how the event was handled right across the street from all these residential homes and commercial properties as well. Not only was the Bay Club, the Levi Plaza, and all the other commercial tenants in trouble with the amount of traffic and noise and everything that was associated with this facility.

We're a little disappointed in reading the report that came out today -- it was first made available this morning -- about the modifications of the May 13th agreement with the various subcontractors to hold this event. We noticed the only thing in that agreement that caused any responsibility to maintain noise, hours of operation, the type of use for that 77 percent of time that this is going to be used is relied upon the police commission and entertainment commission, the same groups that we had to sue because they did not do anything to stop the noise and difficulties that went on with hosting the America's Cup event authorities.

We want to be sure that before this is adopted and I assume you're going to adopt it today. That's your normal process but before it goes through all the processes of the planning department after you, then the supervisors, then the mayor, etc., we want to be sure the neighborhood is heard, this big and important neighborhood, as what you're trying to do economically.

I'm just letting you know we're there. We will be there next week when we have a ballot measure on the ballot that will be a little more aggressive than what I'm proposing. But thank you for hearing me today. I enjoy the cruise ship terminal.

Commissioner Woo Ho - I have one comment to understand or question. The visitor parking for non-events and non-cruise, is that a restricted public trust issue?

John Doll - I think Diane Oshima probably could answer it better than I could with regards to BCDC. But no, it's not a trust consistent. It has nothing to do with the public trust consistency.

Commissioner Woo Ho - What is the basis of the issue because it makes a huge difference as you can see between a loss of \$200,000 versus a breakeven for the Port.

Diane Oshima, Planning and Development division - The visitor parking as John said is not a public trust use issue, but visitor parking within the GTA was not included in the list of permitted uses in the BCDC permit when it was issued some time ago. At the time, we were talking about the cruise vehicle parking and loading operations in the GTA and then parking and staging operations associated with the events, but we hadn't called the visitor parking at the time.

Commissioner Woo Ho - Are there environmental issues associated with visitor parking? Is there an effect on the bay?

Diane Oshima - I don't believe that we would find that there's an impact on the bay, per se. It's more from a BCDC permitting standpoint. In particular, their concern is around the quality of the public access along the Embarcadero promenade and how the management of crossovers by vehicles into the facility can impact that.

Commissioner Woo Ho - So how much open access is there in this whole area of the Embarcadero? What percentage of our space is open access besides this particular facility?

Diane Oshima - Unfortunately, I don't have the percentage off the top of my head. Clearly we have a large major park that's included on Pier 27 itself as well as the promenade. I think what the general observation has been is that with the growth and the volumes of pedestrians and the attraction of the Embarcadero promenade that there is an interest in making sure that we don't create pedestrian safety or quality issues in that experience.

One of the things that we have been putting together as part of the package is not only what are the number of spaces and how would that shared use be accommodated between visitor parking and cruise and special events, but also a transportation management program that includes some staffing levels for varying levels of peak activities to try and address that pedestrian conflict issue.

Commissioner Woo Ho - My comment then given all the answers that you've given me is that we should encourage BCDC. They also should worry about the financial accountability that we hold at the Port and at the Port Commission to make sure that we are in a fiscally viable position. I'm not sure that I heard any reason why we should not have visitor parking.

It makes a huge difference to us in terms of being able to be fiscally responsible and to generate, as we know, we had over a \$2 billion capital budget deficit which we have to fund over time and that's just to maintain the existing facilities. That's not any development on the Port.

It's very important that I go on record to say that BCDC really needs to take into consideration what is and what is not in their purview as far as understanding the financial accountabilities that we all have and yet maintaining what we need to maintain as we heard the gentleman before in terms of maintaining the quality. I guess from my standpoint in walking in that area, I think we have lots of open access.

Diane Oshima - Thank you very much. I think those remarks will be very helpful.

Commissioner Brandon - I want to congratulate the entire staff on this effort because it has been a 20 year process. We've moved from 27 to 35 back to 27. Now we actually have a new cruise terminal. This is a major accomplishment. I really want to thank everyone. I can't wait until September when we have the grand opening.

Commissioner Katz - I too want to echo Commissioner Brandon's kudos. It's sort of like the current Giants team that everyone says is not only winning but having a great time doing so together. It really seems to be more and more apparent that everyone is working together for the betterment for all of us here in San Francisco to increase tourism here but also look no further than the large number of people that are enjoying the Brannan Street Wharf. That's an example of how we're working to make space available for all San Franciscans to enjoy.

I do want to note one thing in terms of the events considered at the site. First of all, I think that dates back to a number of public meetings and advisory panels meeting and hearing from the public and setting recommendations that included at that time and has always been included in the plan efforts to have some event space available. Some of us were lucky enough to see the building before it was fully open to the public, but as many of us may not always go on cruises, we will have an opportunity through the openness of the building to enjoy the views, the site, the space that this cruise ship terminal offers.

All San Franciscans will be able to benefit and appreciate the opportunities to participate in events when we don't have the cruise terminals there. With Metro there managing the operations, I know they'll be sensitive to the community's needs. We'll make sure that operations run smoothly for all involved.

Again, just want to thank everyone. I'm not sure where we're going to end up on the parking issue, but I do know we're going to end up with a phenomenal cruise ship terminal and a beautiful park. Again thank you to everyone. I'm excited to see this moving forward.

Commissioner Woo Ho - I just want to say one thing. I gave a very specific, sort of narrowed in a particular area, but I also want to echo the other two commissioners in saying this cruise ship terminal has been a tremendous accomplishment for the Port.

Having gone on cruises myself and having viewed Pier 35 and the facility today, which is not a great experience, I think it is going to be a tremendous improvement. I've looked at some other new terminals recently in Barcelona and Hong Kong, and this is a first rate facility. It's going to be terrific. It matches the reputation of the city.

With regard to the comments we heard from the public, what we did during America's Cup was something we experimented with and certainly do understand that there will be requirements put on events there. I'm sure we don't want to disrupt the quality of the neighborhood, but I don't think that should prohibit us from doing the events that hopefully will be well managed, well-orchestrated within certain guidelines. I'm sure we'll have that in place and I'm sure that Metro and Hartmann will work with us on that because we want this to be a win-win for everybody.

Commissioner Murphy - You gave me a tour about a year ago. Great structure. Great building. I'm glad we're on the verge of improving. Thanks to the staff and everybody involved for all their hard work.

Commissioner Woo Ho - I mentioned this at one other meeting that I went to see the latest Hong Kong cruise ship terminal. It was built for over a billion U.S. dollars. We did extremely well for what we built it for. We have to remember sometimes we don't compare with what other cities do. Hong Kong has the money and it's a beautiful facility. They can do many more ships than we can. We've done an excellent job here. It's going to really prove out. Hopefully we can make it sustain itself. That's what we're trying to do with this business model.

Commissioner Katz - Also drilling down to more specifics. I just want to note too that we'll be having shore power at the terminal. We really were at the forefront in providing shore power for cruise ships coming in. It's becoming more and more of a standard everywhere else, but we started that effort. Kudos to all of you for putting that forward. It demonstrates our desire to be at the forefront of environmental issues and be good stewards of our waterfront. Thank you.

ACTION: Commissioner Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor. Resolution No. 14-38 was adopted.

12. PLANNING AND DEVELOPMENT

A. Informational presentation on the Port's Strategy to remove deteriorated and non-functional creosote treated and other piles, piers and wharves along its Southern Waterfront.

David Beaupre, Planning and Development - This report is in response to Commissioner Brandon's request about the status of the Port's strategy to remove deteriorated piles and pier structures in the southern waterfront.

Since 2000, the Port has removed a number of piers, piles, and pile supported structures primarily as it relates to addressing the Bay Conservation and Development Commission's special area plan requirements, but also to accommodate life safety and port operational needs. This exhibit illustrates the piers that we've removed since 2000.

In the north, we have Fisherman's Wharf J10, J3, and Pier 43. In the northern waterfront, we have portions of the Pier 15 and 17 valley. Around the ferry building we have Pier ½, Pier 24, and then in the South Beach area Pier 34 and Pier 36. Lastly, Pier 64, which is in the process of being demolished as we speak and then Pier 70 Wharf 4. Those are the piers that we've removed since 2000.

Piers that we're looking at for demolition in the future include Pier 70 Wharf 8, Pier 90 at the base of the grain silos, Pier 90 at Bayview Gateway, the Islais Creek Wharves, which are basically the old wharves west of Third Street on both the north and south side of Pier 80 and Pier 96, the LASH terminal.

The next few slides will illustrate the various states where we're at in the individual projects. Pier 70 Wharf 8 is an approximately 150,000 square foot pile supported pier, both the combination of wood and steel piles. It has been considered as a project for removal under the BCDC permit for the Exploratorium project where they were short 108,000 square feet of required bay fill removal.

The Port has also submitted a project request for the U.S. Army Corps of Engineers under the 2007 WRDA Bill to receive \$5.5 million to remove these piers. If we're successful in getting the Army Corps of Engineers funding, the Exploratorium funds would help us match the required grant. We're hoping to hear from the Army Corps of Engineers about the potential for funding this project this fall.

The next area which is highlighted in yellow on the exhibit is the Pier 90 grain silos. It's an approximately 80,000 square foot area of pile supported pier deck that's deteriorated and no longer functioning for maritime uses. The cost to remove this is approximately \$2.5 million. We have not identified any source of funding to remove this pile supported area. As a part of moving forward with any pile removal project for this area, we'd need to conduct further analysis to determine whether the pile supported structure actually supports the seawall in any way or would have any impacts on the existing seawall.

The next site highlighted in yellow is the site of the future Bayview Gateway project. This is an approximately 13,000 square foot deteriorated pile area. This project is in the bid process now and is anticipated to be removed by the summer of 2015 and is being funded by the 2008 parks general obligation bonds.

The next area is what we call the Islais Creek Wharves. These are the old wharves and piles that supported what was once Pier 84. Primarily it supported the copra crane operations on the north and are just literally stick piles on the south side. The Port applied for a grant from the Coastal Conservancy to rehabilitate the copra crane and remove these piles and was successful with that. We're in the design process for this and have submitted for the necessary permits to remove this.

Lastly we have what's called the Pier 96 LASH terminal. That's the lighter than air shipping terminal that was associated with the Pier 96 facility just to the north of it. This is an approximately 25,000 square foot pier that's begun to collapse. It's located north of Heron's Head Park. A source of funding that we could potentially use to remove this pier could be the Southern Waterfront Beautification funds. We believe that this pier would be an appropriate pier for the Port crews to demolish if deemed appropriate.

As it relates to permits, each of these pile removal projects requires an Army Corps of Engineer, Regional Water Quality Control Board, BCDC permit, which the BCDC permit allows us to get fill credit for these types of removal. It also requires a CEQA. The Pier 70 project specifically would also require a National Environment Protection Act review as it would be funded through federal sources.

The Bayview Gateway project is fully permitted and hopefully will be demolished approximately a year from now. We're in the process of permitting the Islais Creek Wharves project to have them demolished by the end of 2016 as well. Our next steps are to return to the commission as these projects move forward.

I would like to recognize Tom Carter, Brad Benson, Uday Prasad, Joe Roger, Steven Reel, Carol Bach, Lauren Eisele, and Meghan Wallace for their help on this item. It was a cross-divisional presentation in pulling together the staff report and the information.

Commissioner Brandon - I want to thank you and the team for doing this analysis and coming up with this report. I truly appreciate it. Once these five site pilings are removed, does that mean there will be no more dead pilings in the southern waterfront?

David Beaupre - That's correct.

Commissioner Brandon - I thought there were some near the ramp.

David Beaupre - Just north of the ramp is Pier 64. Those were required to be removed under the America's Cup BCDC permit. Our crews are actively working on it now. By the end of the year, those piles will be removed completely. We will be rebuilding some tern habitat out there but they won't be the deteriorated, rotting piers. They'll be off the shore a bit.

Commissioner Brandon - Everything is funded or possibly funded except for Pier 70 and Pier 90, correct?

David Beaupre - Pier 90 at the base of the grain silos.

Commissioner Brandon - That's great. I really appreciate this.

Monique Moyer - Commissioner, just to give you an order of magnitude for the Pier 64 area. There are approximately 730 piles we think that we can count when the water is just at the right level. Tom says we've removed that many and we're still plowing away at it so to speak.

Commissioner Brandon - Hopefully the Port can remove most of them so we can save money.

Monique Moyer - Yes. I was just going to say that this is the first time we've really used our crews to be able to do that. It took a lot of investigation and work to figure out how to be able to do it. We're very proud that they are doing it and doing it as easily as they have, although there are considerably more piles there than we first anticipated because they're hidden by the water. If that methodology can hold true and we can keep our other work at bay, we can maybe replicate elsewhere.

Commissioner Brandon - That would be great. Tom, thank you to you and your team.

Commissioner Katz - I'll echo Commissioner Brandon's comments. I know a lot of work has gone into this as well, so thank you very much.

13. REAL ESTATE

A. Informational presentation regarding the Fiscal Year 2014-15 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates.

Nate Cruz, financial analyst with the real estate division - I'm here today with an informational item to present you with the parameter rents for fiscal year 2014 and 2015. I'm joined by a number of my colleagues in the real estate staff as well as Reed Kawahara from Keyser Marston who did the third party review. Should there be any specific questions, we're here to help.

By way of background, the parameter rents are something that have been delegated to real estate staff since 1993. It allows us to execute some of the smaller transactions without coming back to the Port Commission with every single one of those leases. As I understand before 1993, we actually came here for every single curb space and little tiny shed space. I think we're all glad that this exists.

Those parameters that we have to meet to be able to execute these leases without coming back to you are that they're not a retail use, so it's not a restaurant or any sort of development deal. It has a term of less than five years. It's anticipated to generate less than \$1 million in revenue. Finally, it has to have at least the rents that are presented in the parameter rent schedule.

Parameter leases, those that meet the parameter rent guidelines are a huge portion of the lease transactions that we have on the rent roll. They're approximately 64 percent of our lease count. Due to their size and the nature of these everyday transactions, they only represent about 15 percent of our annualized leasing revenue. That's for the real estate department.

We just did the bond presentations to drum up investment interest. This diversity in our real estate leasing base is attractive to them. The diversity comes from a lot of small businesses, a lot of different types of industries. They all have found a home here on Port property.

This is another way to look at it over time. This is all Port revenues for the real estate division. The bottom blue section is basically what the parameter deals represent to us. It is another way to show that the foundation, that stable rent basis that we work from comes from these parameter deals. The developments and parking and percentage rents all certainly layer on top of that and they're a big part of the success, but when we're able to weather recessions and things like that, the parameter rent deals are what allow us to do that.

When we go to determine what the rates are going to be for a given fiscal year and we go through a methodology where we first look at market information, which includes any transactions that were done on Port property. Then we have to layer in any condition on the Port facility that might make it less than your typical market condition. Finally we also look at affordability.

Certainly we want to maximize revenue, but part of that isn't necessarily meaning maximize the individual rate someone pays. We want to balance vacancy periods. If something's vacant now, if I try to maximize the individual rates, the rate that someone pays, it might mean that I don't lease it up in three months. Maybe I'll lease it up in six months. In some cases we're trying to balance the overall revenue over the term of the lease for a given period, not necessarily the rate that someone pays per square foot.

That applies to existing places that are vacant but also to our existing tenants. Those small businesses that are tenants today, when their lease expires and it resets to the new market rate, that's the parameter rent we're setting it at. We want to make sure that the rate maximizes our revenue before it necessarily drives them away and then we have a six month period of vacancy where we have to find a new tenant. Those are the things we're trying to balance when we do this.

That first piece where we look at market information is also a little more complicated because it's tough to compare Port property to private sector property. I'm just going to walk through a quick example of some office property, specifically ING Waterfront Plaza, which is located directly across from Pier 31 and compare it to the Roundhouse, which is our crown jewel of office space that we directly manage. They're right across the street from each other.

They're both considered class B office space. They're full service under the general definition. We were able to get some transaction data. The gross rent rate is somewhere between \$3.60 and \$3.75. What we're proposing in front of you today is about \$3.25 which on its face has some questions, but let me get into the details of why we did that.

This is what ING Waterfront Plaza looks like. The services include onsite full time security. There's onsite property management, a dedicated building engineer. There's also a parking lot that's adjacent to it that's available to tenants for an extra fee.

This is the Roundhouse. It's a great location and it's an interesting space, but it doesn't have the same quality level. It's certainly maybe on the B minus side of class B. Nor does it have all the services. We provide janitorial and that's about it.

The other thing that's actually a really big difference is in the private sector, landlords will fund tenant improvements and we do not. When you adjust those transactions that range from \$3.60 per square foot to \$3.75 and you back out the costs of those tenant improvements that we're making our Port tenants pay for out of pocket, then you can see an adjusted rent. Now you're looking at the closest apples-to-apples comparison that we can do. Our \$3.25 in the bottom right corner there is right in between what those transactions look like across the street.

Keep in mind our \$3.25 is the minimum rent. We can always ask for more than that. If it's the top floor with a view of the water, we charge more. If it's the ground floor with the view of the sidewalk, \$3.25 is probably the more appropriate side of that range.

The tenant improvements, just to give you sense of how significant these can be. This is an interior shot of the Roundhouse. This is an interior shot of the Roundhouse after tenant improvements done by Ammunition, one of our design tenants. They sank a lot of money into it and it's a beautiful space now but they had to pay out of pocket for that.

In general we're increasing office rents by six percent. Some are not being adjusted at all and we have a high adjustment of a 30 percent increase. That is in the Roundhouse that we just walked through.

As a point of comparison, Cushman and Wakefield did a study showing first quarter of 2014 rents. They were up eight percent over the same quarter the prior year. That gives you a sense of where our six percent might fall in market. That's Port office rents. The challenge of comparing Port property to private property also is a problem when you look at sheds to warehouses.

Warehouses traditionally have loading bays that are truck height loading bays so you don't have to lift things up and down. They have concrete floors. They don't have supporting pillars throughout the space that constrict movements and how you can turn trucks around. Typically you have a private warehouse. You don't share it with a number of neighboring tenants.

What we have and what has really been our advantage is we have an amazing location. We have probably the only warehouse space this close to the central business district and the restaurants of San Francisco so we generally are able to charge more than our warehouse competitors.

Overall, we're looking at an increase of about three percent in the rates. That includes a substantial decrease in the rate of one particular shed, Pier 54. We're reducing the rate by 44 percent. That is due entirely to the facility condition. There's some load restrictions there. You can't drive larger trucks out there. There are some roofing problems. The lifespan of the building is in question at this point, so we can't necessarily give people a five year term. They're abbreviated terms. It's a challenging leasing situation for us. Then on the high side, we're increasing one of the rates by 40 percent. That's the range.

Finally, the last big category of parameter rents is land. Land is a different part of our portfolio. It has a very high vacancy rate compared to the other two pieces. We're competing now all of a sudden. It's not as location driven. Now we're competing with Oakland or Daly City and things in different counties. Generally we are decreasing the rates of unpaved and paved land by two cents and five cents, respectively, and leaving improved land where it is.

From here we're coming back to you on June 10, 2014 for approval. This is simply an informational item.

Commissioner Murphy - On the paved land, can a perspective tenant put containers on that for storage?

Jeff Bauer, Leasing Manager - Sure. If someone wanted to put storage containers on, that's an acceptable use.

Commissioner Murphy - And the rent stays the same?

Jeff Bauer - When you say storage containers, are you saying self-storage? Renting a self-storage business or it's a construction company?

Commissioner Murphy - Storage for construction equipment. I see a lot of containers on some of the Port property. I have no idea what's that rated, whether it's paved, unpaved.

Jeff Bauer - It's paved. It would be acceptable if a construction company wanted to store equipment in containers. The rate would be the same.

Commissioner Murphy - How much of our office space or rentals would need tenant improvement? All of it when we decide to rent out? Is it in that bad of shape?

Jeff Bauer - It's utilitarian. In some cases as with Ammunition, they put about \$400,000 in tenant improvements. It really depends on the tenant. Smaller tenants, they just want a place with an address, a mailbox, and a phone so it depends on their resources.

Commissioner Murphy - I understand the difference between the private sector and the Port. Private sector, their tenants do their own tenant improvement, right?

Jeff Bauer - Yes. Within an allowance.

Commissioner Woo Ho - You gave us the unpaved land, but you did not discuss parking which tends to be a big source of our revenue. I see from your report, 980,100 square feet of unpaved land and then 9.9 million of paved land and 871,000 of improved land. The bulk of our space seems to be in open land. Is parking part of that configuration of all these numbers? What's happening with parking because we didn't get a report on the parking side?

Nate Cruz - The parking that's subject to the parameter rents schedule is generally the stalls of parking that we lease on an individual basis. It's for Port employees as well as 300 or so parking stalls we individually manage. The larger parking lots that you see on seawall lots, those are a separate retail leasing that would go through a competitive process.

Commissioner Woo Ho - At some point and we can propose it as another informational item to refresh the Commission how the real estate portfolio, whether it's a direct lease, master lease or whatever, is composed of so we understand that in order to get a better sense. You mentioned on your first slide which was interesting to know, while they are the bulk of the number of leases, they contribute very little in terms of the actual percentage of overall revenue. Did I not get that right?

Nate Cruz - No, that's correct, you got right.

Commissioner Woo Ho - It seems like we spend a lot of time looking at the parameter rents, but then the impact on the Port's financials is somewhat limited. It's the other revenue sources that we need to understand what's

happening with those. So at some point, we need to get an understanding of how those operate year to year in terms of increase and what's built in. A summary without having to go through every individual lease and how many of those leases and have a percentage composition because I think that's a little bit more informative to us in terms of the overall composition.

On the buildings, you said six months, if we wanted to maximize rent; if not, it would take three months. Is that a current number? I would think in San Francisco that it takes six months to rent something if you wanted the highest rate in this market. I'm not sure whether that's current market information or that's a theoretical number.

Nate Cruz - That was an entirely theoretical or conceptual example. That's a good point.

Monique Moyer - It's important to note that's a very good point. Also on our side of the street, so to speak, we have this process of going through the commission and the process of going through the board. On a parameter rent basis where we don't need to come through the commission and the board we can go much faster. But it still generally takes pretty long. We have some nonmarket terms in our boilerplate leases that take some time to negotiate and understand.

Commissioner Woo Ho - I think the difference is that if you come to an agreement, just like when you sell a house, if you were to measure the time from when the house was put on the market till escrow closes, it's a very long time. But when you are to measure when there's an agreement to sell the house or whatever, that's a much shorter period of time. That's what is market driven whereas the whole transaction in terms of closure is driven by other factors. Even today, there are other factors and you have to have time to do them.

It's a question of which metric are you using to understand in terms of the revenue's going to generate until the deal closes, but how fast can you get that property rented and know that it's going to be rented out. That's the metric to measure.

Monique Moyer - Yes. I think Nate was saying on a cash flow basis from the last payment of the existing tenant to the new payment of the next tenant.

Commissioner Woo Ho - The other question I have, which I've always been curious to know under our office buildings and other spaces, you mentioned it briefly in saying, if it was the top floor with a view, we might put a different rate in versus if it's on the bottom and you're facing the street or another warehouse or wall or something and you don't have a view.

As we all know, even in hotel rooms, even for one night, you pay a huge difference between having a view of the harbor versus not having a view. First, how much space do we have that has view? Secondly, what is the range of how we charge for that view because that is the asset that we have here? That's why

people are attracted to the Port. What is our guideline in terms of how much more premium do we put on the rate?

Jeff Bauer, Leasing Manager - I wouldn't say there's a set policy, but obviously in negotiations it's easier to command a higher rate for a view property.

Commissioner Woo Ho - What do we actually end up charging more? What's the range that we end up charging if there's no standard policy?

Jeff Bauer - It could command 10 percent, 20 percent more. At Pier 33 North, for example, we just received \$3.50 a square foot for a view office. If it had no view, it's probably \$2.50 a square foot.

Commissioner Woo Ho - So if we just understood that in the future. It's just that we also know given some of the ballot initiatives, many people were against it strictly to preserve their view. So obviously we have something to offer when we do offer views. Let's make sure that we charge for it.

Jeff Bauer - Absolutely.

Commissioner Katz - You may have touched on this a little bit. I know we may not have the ability to upgrade some of our office space. Have we had any eye towards any of the conversion of some of our class C office space to class B? Or is that possible? Is that changing a bit?

For example, many consider class A office space to be the downtown office space, but we actually have some space over the water that now with the changing companies and businesses coming into San Francisco, it seems that's also changing the categorization a little bit in some respects.

Jeff Bauer - Class B is always measured in relationship to class A. It's typically a former class A. In our case, we did an improvement at Pier 33 North. We put about \$1.5 million into the property. It's a small development. Ground floor is retail. Second floor is office. We're commanding \$3.50 a square foot for that space. We put in an elevator. We did better finishes and surfaces and utilities. So yes. If we have the money to do it.

We typically get the tenant to do it such as Ammunition at Roundhouse. Now a lot of tenants want to come in and remove the hung ceiling like they did and that's not cheap to do. They did it. We get the upgrade. When they move out, we can charge more.

Commissioner Woo Ho - How do we view this in terms of you have a class A view or a priceless view and yet the building itself may be considered what you would call class B. Are we categorizing our space in terms of really reflecting what else we're offering besides the actual facility itself? When I think about Autodesk, it's a great location and industrial space. They wanted it to be

industrial. They don't want it to be a typical class A office space. So how would we categorize?

Our space is very different from anybody else's. There's something special about the historic preservation of the piers, etc. and the industrial feeling inside. But I thought Commissioner Katz was going down that road.

Commissioner Katz - You said it more elegantly than I did.

Commissioner Woo Ho - Industrial feeling, that's in. That's what the tech sector wants right now. They don't want the old style class A. They want something that has a little more edgy atmosphere. That's actually selling better in San Francisco right now than having this very finished class A office space.

Jeff Bauer – For example, if we could convert Pier 23, Pier 19, Pier 29 into office, we could lease it out in no time. The demand for that type of space is there. The constraints come from the entitlements that we need to get, the change of use, seismic upgrade, etc. There are some limitations. Is there a demand? Absolutely. Autodesk is a great example. They're up to \$16 million of investment into the pier.

Commissioner Katz - That is where I was going. Thank you, Commissioner Woo Ho. We're just looking at base rent so we have the ability to go higher.

Jeff Bauer - Yes. This is the floor, but we can go higher.

Commissioner Katz - I guess what we're getting at is with all the technology companies coming in and wanting different kinds of space, I want to make sure that we take into account when we set our leases that a lot of what we have has become very desirable. It may not be your stereotypical class A office space but, I, for one would much rather be on the waterfront than elsewhere.

Jeff Bauer - We're commanding rents that reflect that.

Commissioner Woo Ho – And the open office space environment versus a lot of offices.

Jeff Bauer - No one wants compartmentalized.

Commissioner Woo Ho - They also want the ability to be able to reconfigure very quickly based on their operations and size and growth and moving things around. That's the way offices are configured these days. You don't want permanent walls, which are much more difficult to move around.

Jeff Bauer - I can tell you with Autodesk, they have other sites in the Bay Area and San Rafael in one market. Pier 9 is by far their most popular site. Employees are requesting to work there so they're very excited about that.

Commissioner Katz - I just want to reiterate one thing that was in the report and has been noted already, but we have an extraordinarily low vacancy rate as it is. As much as we might like to see some of these changes, we don't have a lot of options unless we get the lease renewals anyway given our low vacancy. Is that more or less correct?

Jeff Bauer - It is. There's a balance that we have a lot of small businesses, sole proprietors. A three percent, even a five percent, most folks can handle that. But when you get into a 40 percent, that's tough for a small business. We are trying to get the best rate of return we can get, but we are sensitive that we don't want to drive our small business users out of the market.

Commissioner Woo Ho - I'm not sure I understand the schedule correctly. You're converting the office rental rate conversion from full service to triple net. We still come out much lower on an annual basis. Is that correct?

Jeff Bauer - That is correct.

Commissioner Woo Ho - Why would we? I would think when you convert on apples-to-apples, that we'd be closer in range than still \$5 a year off per square foot, which is still significant.

Jeff Bauer - If you review our inventory, we have Roundhouse that we're saying is class B, arguably it could be class B minus, and Pier 9. The rental rates that are quoted in the commercial available data take in a larger geographic area, the downtown district, the financial district. Frankly they can command a higher rate for a class B. Those class B's typically, as Nate has said, have onsite security. They have a property manager onsite and janitorial. If you call, someone's going to be right at your door wondering how they can help you.

Commissioner Woo Ho - If we wanted to translate and understand what that cost would be to us, whether based on the square footage, at some point we should have a report on our office space. How much of it is improved? Now that we have tenants like Autodesk and Ammunition who made improvements to their premises, how much more space would we want our office space to get upgraded because we are always dealing with rent credits, which is deferring any cash flow to us.

Every deal that I see practically is rent credit. So we're not getting the cash in. We're allowing for the fact that they're improving the property. How much more of this improvement would we want to see down the line so that we actually can say, we've improved it to the point where now this is really a cash cow for us? I would ask Elaine to work with all of you to work on those projections.

It's not like in the capital budget. The capital budget is dealing with other types of projects. It's not about upgrading the properties to get higher rental value. It's dealing with more serious deficits in terms of this pier's going to fall in the water.

If we could understand how the composition of the portfolio is and what we're doing as we do each deal improving it.

I'm sure we never get to the point where everything is improved because as soon as you've finished improving it something you did ten years ago needs improvement again but at least it's getting to a higher quality space. I don't know where we are – 50%, 60%, 70% on our way because every office space that we should have unless it's in a terrible neighborhood, the goal should be eventually a class A. That should be the goal. I'm not saying every transaction's going to get there, but there should be a vision to get there.

Susan Reynolds, deputy director for real estate - We are definitely taking notes. This is informational, so we can come back and adjust things. Some of the things to take into consideration with our office versus something like Autodesk is that Autodesk was a shed space. They basically took a blank slate and turned it into what they needed. Some of our offices, if you look at the Agriculture Building, it is an old building. It doesn't have an elevator. It's on the water, which in some cases is a fabulous view. If you go into the buildings, the windows don't open and close. Again, there is no elevator. There are a lot of condition issues that kind of hold us back.

What we've typically done is rented them in an as is condition. If somebody wants to upgrade them, then we allow them to do it like Ammunition at the Roundhouse. But in some cases, the condition of the building doesn't really allow us to get to that. A class A is a high rise with a doorman and all the amenities that we talked about.

Typically the Port hasn't had the capital to upgrade. We typically don't want to upgrade because we want to leave that space for if you want to put in a design space, you're going to want something different than if you want to put in a real estate office. You're going to want to put something different in there.

We don't want to pre-decide what the incoming tenants will do, but rather accommodate what comes to us. One of the reasons we have a low vacancy is that we have smaller spaces at an affordable price. It allows us to have that diversity. We are an incubator for a lot of small businesses that can't afford to start out across the street. That's the balance that Nate was talking about. But for some of the other properties, we're happy to work with you to translate your ideas into what could be providing we have the capital.

Commissioner Katz - We've talked about a floor. If market circumstances changed and we've set the floor too high, do we have something built in where you can come back to us and we can readjust that floor?

Monique Moyer - We don't have a hard and fast rule about when to bring forward rates. We have a practice in the last six, seven, eight years of trying to do it annually. But it certainly depends on the market conditions how fast we need to move. So that was a long answer to, yes, we can come back at any time

even just on a given property. With markets moving up, it's been a little easier to come back the way we have been and just keep negotiating up during the year.

Commissioner Katz – Hopefully, that's my answer.

Monique Moyer – Yes and when markets are going down, then it's a little more difficult. We need to come back for that guidance.

Commissioner Woo Ho - It should work both ways, up or down. You have more flexibility when it's going up because this is a base rent versus when it's going down if you wanted to come back with a lower base. If the market was moving rapidly, you might want to come back and talk to us about base rents as well.

Monique Moyer - We would and we have since I've been here long enough for markets moving down too. That's exactly what we did.

Commissioner Katz - Nate and Jeff and Susan, thank you.

14. NEW BUSINESS

Commissioner Woo Ho - I just asked for some information in the future about how our real estate portfolio is composed. So if that's something that could be calendarized in the future. Did you understand some of the questions that I asked? I know we didn't cover that today.

Monique Moyer - Yes, Commissioner. Most of what you asked early in your questions can be incorporated in the staff report for the next meeting, so I wasn't considering that new business. I did take into new business your request for what I'm calling an upgrade report on our office spaces. Specifically you asked about how much has improved to date and what's our vision for improving going forward. I put that as a new business item.

Commissioner Woo Ho - When I said that, I didn't necessarily mean we would always improve, but if a space like the Agricultural Building came on lease, that we would be specifically looking for a tenant that would want to put their capital in is what I'm trying to suggest as we talk about improvements over time. I agree that we would not pre-do anything because you don't know what the tenant wants to use. It's just not looking for the first tenant that says I'll take the space as is.

Monique Moyer - Yes. I understand, Commissioner. Thank you.

Commissioner Woo Ho - The other question is when would we be able to hear a report on the potential uses for SWL 330 and Piers 30-32?

Monique Moyer - We currently have Piers 30-32 listed on your forward calendar to get back to you on Commissioner Katz's request on how much it will cost to maintain it. We're targeting August for that.

On Seawall Lot 330 and Piers 30-32 reuse, we are still working on all of the ideas that have flooded in as well as consulting with the Mayor's office. I don't have a good timeline for that, but I'm hoping for the July or August timeframe. That might be aggressive, but that's our goal.

Commissioner Katz - I have one item I'd like to request under new business. Recently there have been stories out and there has been a notable effort to encourage the Port to formally ban exports of coal, petcoke, or oil. There was a story in the Examiner which followed on the heels of the Port of Oakland, which turned down a coal export facility that would have brought in quite a lot of investment money as well as revenue for the Port of Oakland.

At our Port, the Port staff has declined to pursue any coal export opportunities on an informal basis. Staff also reports we don't have the infrastructure in place that would handle these kinds of exports. Would it be advisable or possible for the Port to consider formalizing our informal policy prohibiting the handling of this material? If I could request that staff investigate the legal, the maritime, and other environmental issues, if we were to establish such a policy.

Monique Moyer - Certainly. We'd be happy to investigate that.

Commissioner Katz - As part of that, I do want to note as I said earlier that the Port of San Francisco has been in the lead on environmental issues with respect to other ports. I want to give kudos to the staff. Although this issue was bubbled up, I was thrilled to find out that we've informally been doing the right thing for a long time anyway. So it was in some respects the good news. It was a solution in search of a problem since we've already been there but I do want to make sure that we continue our good work.

Monique Moyer - Thank you, Commissioner. We'd be happy to.

15. ADJOURNMENT

ACTION: Commissioner Brandon moved approval to adjourn the meeting. Commissioner Murphy seconded the motion. All of the Commissioners were in favor.

Port Commission President Leslie Katz adjourned the meeting at 5:10 p.m.

